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This document is an AIM admission document and has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Rules and has not been approved by or filed with the Financial Conduct Authority ("**FCA**"). This document does not constitute an offer of transferable securities to the public within the meaning of FSMA or otherwise.

The Company and the Directors of the Company, whose names appear on page 9 of this document, accept responsibility, collectively and individually, for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Company and the Directors (having taken all reasonable care to ensure such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the Ordinary Shares to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 24 February 2017.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange plc on Admission in the form set out in Schedule Two of the AIM Rules for Nominated Advisers. The London Stock Exchange plc has not itself examined or approved the contents of this document.

The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to the risk factors set out in Part 3 of this document.

Saffron Energy Plc

(Incorporated and registered in England and Wales with registered number 10472005)

**Placing of 45,750,000 Ordinary Shares of £0.001 each at 5p per Ordinary Share,
Subscription of 4,250,000 Ordinary Shares of £0.001 each at 5p per Ordinary Share
and**

Admission to trading on AIM

Grant Thornton UK LLP

Nominated Adviser

Turner Pope Investments (TPI) Ltd

Broker

Share capital immediately following Admission

153,720,000 Ordinary Shares of £0.001 each, issued and fully paid

Upon Admission, the Ordinary Shares being issued pursuant to the Placing and Subscription will rank *pari passu* in all respects with the Existing Ordinary Shares of the Company and will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company after Admission.

Grant Thornton UK LLP, which is authorised and regulated by the FCA in the United Kingdom, is acting exclusively for the Company and no one else in connection with the Placing, Subscription and Admission. It will not regard any other person (whether or not a recipient of this document) as a client in relation to the Placing, Subscription and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Grant Thornton UK LLP or for the Placing, Subscription and Admission or any transaction or arrangement referred to in this document. Grant Thornton UK LLP has not authorised the contents of any part of this document for the purposes of the Prospectus Rules. Grant Thornton UK LLP's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person. No representation or warranty, express or implied, is made by Grant Thornton UK LLP as to, and no liability whatsoever is accepted by Grant Thornton UK LLP in

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An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. Your attention is drawn to the section entitled 'Risk Factors' in Part 3 of this document.

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or to make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, Grant Thornton UK LLP or Turner Pope Investments (TPI) Ltd. Recipients of this document are authorised to use it solely for the purpose of considering the acquisition of Placing Shares and Subscription Shares and may not reproduce or distribute this document or use any information herein for any purpose other than considering an investment in Placing Shares and Subscription Shares. Such recipients of this document agree to the foregoing by accepting delivery of this document.

IMPORTANT INFORMATION

General

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and this document is not for distribution in or into any jurisdiction where action to that purpose is required. The Ordinary Shares have not nor will they be registered under the US Securities Act of 1933, as amended (the “**US Securities Act**”) or with any securities regulatory authority or under the applicable securities laws of any state or other jurisdiction and, unless an exemption under such act or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations for the account or benefit of any national, resident or citizen of such jurisdictions. The distribution of this document may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

Investors should rely only on the information in this document. No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Turner Pope. No representation or warranty, express or implied, is made by Grant Thornton, or Turner Pope or any selling agent as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Grant Thornton or Turner Pope or any selling agent as to the past, present or future. Neither the delivery of this document nor any sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company and/or its Subsidiary since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing or Subscription, the Company and/or its Subsidiary. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation by prospective investors of the Placing or Subscription occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial, business or tax advice in relation to any purchase or proposed purchase of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of an investment in Ordinary Shares for an indefinite period of time.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, Grant Thornton or Turner Pope or any of their representatives that any recipient of this document should subscribe for or purchase any of the Placing Shares or the Subscription Shares.

Prior to making any decision as to whether to subscribe for or purchase any Ordinary Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or the examination of the prospective investor's lawyers, financial advisers or tax advisers) of the Company and the terms of this document, including the risks involved. Any decision to purchase Ordinary Shares should be based solely on this document and the prospective investor's (or such prospective investor's lawyers, financial advisers or tax advisers) own examination of the Company.

Investors who subscribe for or purchase Ordinary Shares in the Placing or Subscription will be deemed to have acknowledged that: (i) they have not relied on Grant Thornton or Turner Pope or any person affiliated with them in connection with any investigation of the accuracy of any information contained in this document for their investment decision; and (ii) they have relied only on the information contained in this document, and no person has been authorised to give any information or to make any representation concerning the Company or the Ordinary Shares (other than as contained in this document) and, if given or made, any such other information or representation should not be relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Turner Pope.

None of the Company, the Directors, Grant Thornton or Turner Pope or any of their representatives is making any representation to any subscriber or purchaser of Ordinary Shares regarding the legality of an investment by such subscriber or purchaser.

In connection with the Placing and Subscription, Grant Thornton or Turner Pope and any of their affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise.

Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Grant Thornton or Turner Pope and any of their affiliates acting as investors for their own accounts. Grant Thornton or Turner Pope do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Grant Thornton or Turner Pope and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to the Company, for which they would have received customary fees. Grant Thornton or Turner Pope and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

Forward-looking statements

All statements, other than statements of historical facts, included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to dividends or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "plans", "will", "may", "anticipates", "would", "could" or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by the Company to be materially different from actual results, performance or achievements, or dividend payments expressed or implied by such forward looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's net asset value, present and future business strategies and income flows and the environment in which the Company will operate in the future.

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Prospective investors should read the risk factors set out in Part 3 of this document for a more complete discussion of the risk factors that could affect the Company's future performance and the industry in which the Company operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

Selling Restrictions

The distribution of this document and the offering of Placing Shares and Subscription Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Placing Shares or Subscription Shares, or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Placing Shares and Subscription Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Placing Shares and Subscription Shares may be distributed or published in or from any country or jurisdiction, except in circumstances that will result in compliance with all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Placing Shares and Subscription Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or purchase any of the Placing Shares and Subscription Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Bases and sources

Various market data and forecasts used in this document have been obtained from independent industry sources. The Company has not verified the data, statistics, or information obtained from these sources and cannot give any guarantee of the accuracy or completeness of the data. Forecasts and other forward looking information obtained from these sources are subject to the same qualifications, risks and uncertainties as above. Various figures and percentages in tables in this document have been rounded and accordingly may not total. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. All times referred to in this document are, unless otherwise stated, references to London time.

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PLACING, SUBSCRIPTION AND ADMISSION STATISTICS

Placing Price and Subscription Price per Placing Share and Subscription Share	5 pence
Estimated gross proceeds of the Placing and Subscription	£2.50 million
Estimated net proceeds of the Placing and Subscription receivable by the Company ¹	£1.93 million
Number of Existing Ordinary Shares	103,720,000
Number of Placing Shares	45,750,000
Number of Subscription Shares	4,250,000
Number of Ordinary Shares in issue immediately following Admission	153,720,000
Market capitalisation of the Company at Admission at the Placing Price and Subscription Price immediately following Admission ²	£7.69 million
Number of Placing Shares and Subscription Shares as a percentage of the Enlarged Share Capital	32.53 per cent.
AIM Ticker	SRON
ISIN	GB00BDCFP425
Website	www.saffronenergy.co.uk
Exchange rate of Euros to Pounds sterling (€:£) ³	1.174:1
Exchange rate of Australian Dollars to Euros (AUD\$:€) ³	0.722:1

Notes:

- 1 Net proceeds receivable by the Company are stated after deducting the total expenses of the Placing, Subscription and Admission of approximately £0.57 million.
- 2 The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Placing and Subscription Price.
- 3 For reference purposes only, the following exchange rates were prevailing on 20 February 2017 (being the latest practicable day prior to the publication of this document).

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	21 February 2017
Admission becoming effective and commencement of dealings in the Ordinary Share Capital on AIM	8.00 a.m. on 24 February 2017
CREST accounts credited in respect of Placing Shares and Subscription Shares	8.00 a.m. on 24 February 2017
Despatch of definitive share certificates, where applicable	10 March 2017

References to times and dates in the timetable above are to London, UK time unless otherwise stated. Each of the times and dates in the above timetable is subject to change.

DIRECTORS, SECRETARY AND ADVISERS

Directors	David Garland – <i>Independent Non-executive Chairman</i> Michael Masterman – <i>Chief Executive</i> Kevin Bailey – <i>Non-executive Director</i> Sara Edmonson – <i>Non-executive Director</i> Christopher Johannsen – <i>Independent Non-executive Director</i>
Company Website	www.saffronenergy.co.uk
Registered Office	27-28 East Castle Street London W1W 8DH United Kingdom
Head Office of the Company	Via Francesco Crispi 90 00187 Rome Italy
Company Secretary	MSP Secretaries Ltd 27-28 East Castle Street London W1W 8DH United Kingdom
Nominated Adviser	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU United Kingdom
Broker	Turner Pope Investments (TPI) Ltd 1st Floor 5 Old Bailey London EC4M 7BA United Kingdom
Solicitors to the Company as to UK law	Mildwaters Consulting LLP Walton House 25 Bilton Road Rugby Warwickshire CV22 7AG United Kingdom
Solicitors to the Company as to Italian law	Studio Legale Turco Viale G. Rossini 9 00198 Rome Italy
Auditors and Reporting Accountant	Chapman Davis LLP 2 Chapel Court London SE1 1HH United Kingdom

Competent Person	CGG Services (UK) Limited Crompton Way Manor Royal Estate Crawley West Sussex RH10 9QN United Kingdom
Solicitors to the Nominated Adviser and Broker	FieldFisher LLP Riverbank House 2 Swan Lane London EC4R 3TT United Kingdom
Financial PR	Cassiopeia Services Ltd 55 Gower Street London WC1E 6HQ United Kingdom
Registrar	Share Registrars Limited 27-28 East Castle Street London W1W 8DH United Kingdom

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“2006 Act”	the Companies Act 2006, as amended;
“Admission”	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules for Companies;
“Admission Document”	this document dated 24 February 2017;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules” or “AIM Rules for Companies”	the rules for companies whose securities are admitted to trading on AIM, as published by the London Stock Exchange from time to time;
“AIM Rules for Nominated Advisers”	the rules setting out the eligibility, on-going obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time;
“Articles”	the articles of association of the Company;
“Audit & Risk Committee”	the audit and risk committee of the Board, as constituted from time to time;
“Bezzecca” or “Bezzecca Field”	the Bezzecca gas field, originally known as the Pandino field and historically developed by ENI, located within the Cascina Castello Production License;
“Board” or “Directors”	the board of directors of the Company as at the date of this document whose names are set out on page 9 of this document;
“Cascina Castello Production License”	the production concession located in Lombardy Region and covering an area of 38.59km ² granted on the 22 October 2008 pursuant to a decree of the Ministry and expiring on 22 October 2028;
“City Code”	the UK City Code on Takeovers and Mergers;
“Company” or “Saffron”	Saffron Energy Plc, a company incorporated in England and Wales under the laws of England and Wales with registered number 10472005;
“Competent Person’s Report”	CGG Services (UK) Limited’s report on Bezzecca, Sant’Alberto and Sillaro as set out in Part 4 of this document;
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited;
“CREST Regulations”	the Uncertificated Securities Regulations 2001;
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of FSMA;
“ENI”	ENI S.p.A., a multinational oil and gas company registered in the Republic of Italy with its registered office at Piazzale Enrico Mattei, 1 00144, Rome, Italy;

“Enlarged Share Capital”	the 153,720,000 Ordinary Shares in issue on Admission;
“Existing Ordinary Shares”	the 103,720,000 Ordinary Shares in issue immediately prior to Admission;
“FCA”	the Financial Conduct Authority;
“FSMA”	the Financial Services and Markets Act 2000, as amended;
“Grant Thornton” or “Nominated Adviser”	Grant Thornton UK LLP, nominated adviser to the Company;
“Group”	the Company and its subsidiary undertakings from time to time;
“HMRC”	HM Revenue & Customs;
“Independent Directors”	the independent directors of the Company being David Garland and Christopher Johannsen;
“Italy”	the Republic of Italy;
“Licenses”	the Cascina Castello Production Licence and the Sillaro Production Licence;
“London Stock Exchange”	London Stock Exchange plc;
“Ministry”	The Italian Ministry of Economic Development;
“NSI”	Northsun Italia S.p.A, a company incorporated under the laws of Italy and registered in Italy with registered number RM- 873714 and tax and VAT code No. 05296511008;
“Ordinary Shares”	ordinary shares of £0.001 each in the capital of the Company;
“Panel”	The Panel on Takeovers and Mergers;
“Placees”	any person subscribing for Ordinary Shares pursuant to the Placing;
“Placing Agreement”	the agreement dated 20 February 2017 entered into between the Company, the Directors, Grant Thornton and Turner Pope, details of which are set out in paragraph 14 of Part 6 of this document;
“Placing”	the conditional placing of the Placing Shares by Turner Pope, as agent for the Company, pursuant to the Placing Agreement;
“Placing and Subscription Price”	5 pence for each Placing and Subscription Share;
“Placing Shares”	the 45,750,000 new Ordinary Shares to be issued by the Company pursuant to the Placing;
“Po Valley Energy”	Po Valley Energy Limited, a company incorporated in Australia, under the laws of Western Australia with ACN Number 087 741 571;
“PVO”	Po Valley Operations Pty Ltd, a company incorporated in Australia, under laws of Western Australia with ACN Number 083354269;
“Relationship and Lock-in Deed”	the deed dated 20 February 2017 between the Company, PVE, Grant Thornton and Turner Pope, details of which are set out in paragraph 14 of Part 6 of this document;

“Remuneration & Nominations Committee”	the remuneration and nominations committee of the Company, as constituted from time to time;
“QCA Guidelines”	the Quoted Companies Alliance principles of good governance and code of best practice applicable to small and mid-sized quoted companies, including AIM Companies, as amended from time to time;
“Sant’Alberto Application” or “Application”	the production licence application submitted in respect of the onshore production concession named Sant’Alberto located in the Emilia Romagna Region and covering an area of 19.51km ² ;
“Sant’Alberto” or “Sant’Alberto Field”	the Sant’Alberto gas field, originally known as San Peietro in Casale and historically developed by ENI, located within the area that is the subject of Sant’Alberto Application;
“Senior Manager”	the individual listed in section 8 of Part 1 of this document;
“Shareholder(s)”	(a) person(s) who is/are registered as holder(s) of Ordinary Shares from time to time;
“Share Dealing Code”	the share dealing code adopted by the Company which applies to any person discharging management responsibility, which will apply to all the Directors, any closely associated persons and applicable employees (as each is defined in that code);
“Sillaro” or “Sillaro Field”	the Sillaro gas field, consisting of the gas sequences located above the former Budrio Field that was historically developed by ENI, and located within the Sillaro Production License;
“Sillaro Production License”	the production concession located in the Emilia Romagna Region and covering an area of 7.37km ² granted on 29 October 2008 pursuant to a decree of the Ministry and expiring on 29 October 2028;
“Subscribers”	any person subscribing for Ordinary Shares pursuant to the Subscription;
“Subscription Agreements”	together the letter agreements dated on or around 11 February 2017 entered into between the Company each Subscriber, details of which are set out in paragraph 14 of Part 6 of this document;
“Subscription”	the conditional subscription of the Subscription Shares pursuant to the Subscription Agreements;
“Subscription Shares”	the 4,250,000 new Ordinary Shares to be issued by the Company pursuant to the Subscription;
“Subsidiaries”	any subsidiary as defined in the 2006 Act;
“Turner Pope” or “Broker”	Turner Pope Investments (TPI) Ltd, acting as the Company’s broker;
“UK Corporate Governance Code”	the UK Corporate Governance Code published in September 2014 by the Financial Reporting Council;
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland;

“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“£” or “Sterling”	British pounds sterling;
“€”, “EUR”, or “Euro”	the currency of the Eurozone which consists of 19 of the 28 member states of the European Union; and
“AUS\$” or “AUD”	Australian Dollars, the lawful currency of Australia.

GLOSSARY

"1C"	low estimate scenario of contingent resources in accordance with SPE-PRMS;
"1P"	proved reserves in accordance with SPE-PRMS;
"2C"	best estimate scenario of contingent resources in accordance with SPE-PRMS;
"2P"	proved and probable reserves in accordance with SPE-PRMS;
"3C"	high estimate scenario of contingent resources in accordance with SPE-PRMS;
"3P"	proved reserves, probable reserves and possible reserves, measured in accordance with SPE-PRMS;
"basin" and "sub-basin"	a basin is a depression or low area in the earth's crust which has filled with sediments and a sub-basin is a smaller indentation which has formed within the overall depression;
"bcf"	billion standard cubic feet;
"contingent resources"	those quantities of gas estimated, as at a given date, to be potentially recoverable from known accumulations but where the applicable project(s) are not yet considered mature enough for commercial development due to one or more contingencies;
"farm-in" and "farm-out"	a contractual arrangement whereby a third party buys (farms-in) or sells (farms-out) an interest in an exploration licence or production sharing contract;
"formation"	a particular sequence of rocks of similar character recognisable over distance and an industry term used to describe a particular layer being tested for oil and gas;
"hydrocarbon"	any liquid or gas made up of an appreciable volume of combustible organic compounds;
"Italian VAT"	Italian Value Added Tax, set currently at 22 per cent. for all standard goods and services;
"Mcf"	thousand cubic feet;
"MMcf"	million standard cubic feet;
"methane"	the basic component of dry gas, generated by decaying organic matter, composed of one carbon atom and four hydrogen atoms (CH ₄);
"operator"	the entity that runs the day-to-day operation of the exploration and production programme on behalf of the working interest holders in the project;
"scm"	standard cubic metre;
"SPE-PRMS"	the Petroleum Resources Management System as published by the Society of Petroleum Engineers; and
"tcf"	trillion standard cubic feet.

PART 1

INFORMATION ON THE COMPANY

1. INTRODUCTION

Saffron Energy plc (“**Saffron**” or the “**Company**”) was established on 10 November 2016 to acquire Northsun Italia S.p.A (“**NSI**”), a company incorporated in Italy, whose principal business is the exploration for and production of liquid and gaseous hydrocarbons in the Lombardy and Emilia Romagna regions of the broader Po-Veneto plain within the territory of the Italian Republic. This onshore region, together with the offshore region of the Northern Adriatic, is Italy’s most important gas province.

The Company owns 100 per cent. of NSI which has a 100 per cent. interest in and is the operator of the Sillaro Production Licence, and has a 100 per cent. interest in and is the operator of the Cascina Castello Production Licence, where the Bezzecca Field is being developed. On 4 December 2014 the assignment of a 10 per cent. interest in the Cascina Castello Production Licence to Petrorep Italiana S.p.A. was authorised by the Ministry. NSI also has a 100 per cent. interest in the Sant’Alberto Application. NSI has received a favourable opinion on the Sant’Alberto Application from the Commission for Hydrocarbons and Mining Resources of the Ministry and the Ministry of Environment has issued a decree on the environmental compatibility of the production well “Santa Maddalena 1-dir” located within the Sant’Alberto Field. The Company expects the Sant’Alberto Application to be fully granted during the first half of 2017. Sillaro, Bezzecca and Sant’Alberto are all located in the Po Valley region of Northern Italy. The Licences and the Sant’Alberto Application cover a combined area of approximately 65.5km² and together provide P2 (Proved and Probable) reserves attributable to the Group of 8.2 bcf. The Sillaro Field has been producing gas since 2010 and has further development potential and the Bezzecca Field and the Sant’Alberto Field are both near to production. Further information on the Company’s Licences and the Application is set out below and in Part 4 of this document.

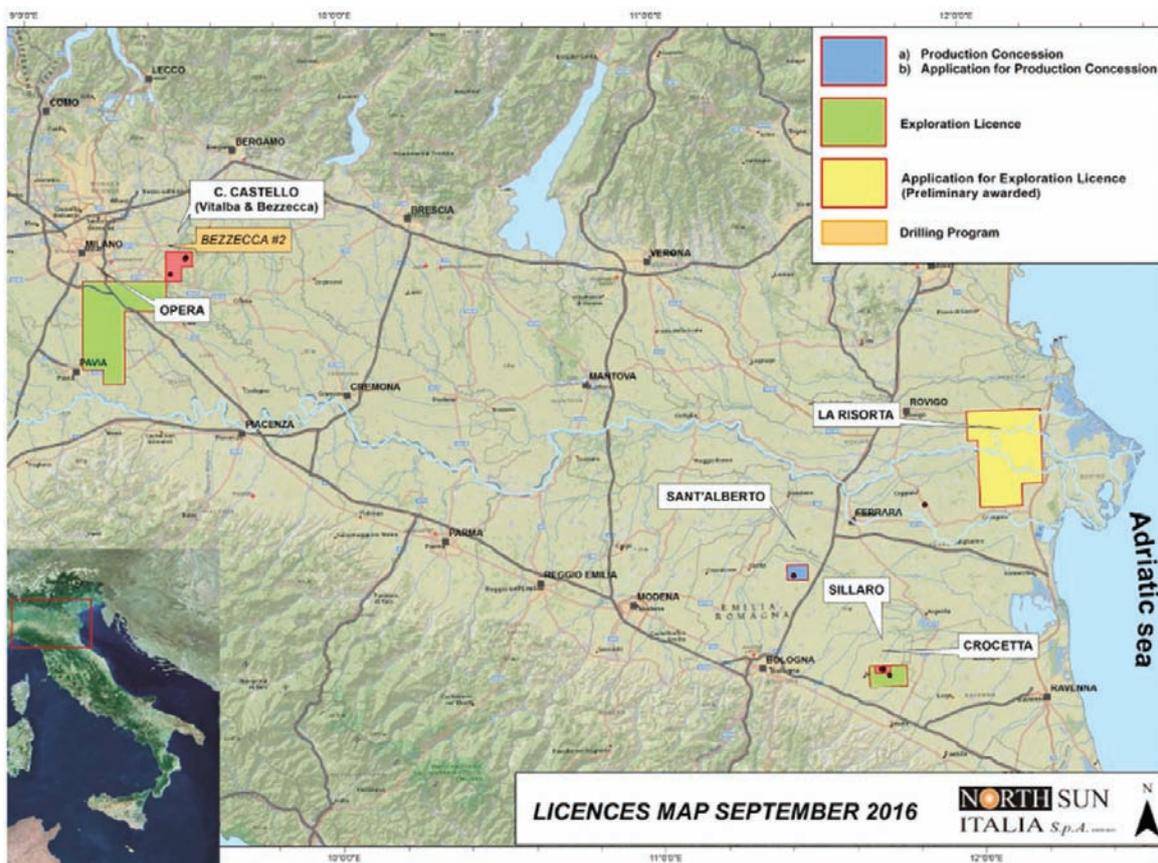


Figure 1 Licences map

The Group, which has an experienced board of directors and management team, is seeking to raise up to £2.50 million through a placing, subscription and admission to AIM in order to expand production from the Sillaro Field and to bring the Bezzacca Field and Sant'Alberto Field into production.

The Company will be led by Michael Masterman, as Chief Executive. Mr. Masterman has 28 years of experience in the natural resources industry, and is currently the Chairman of Po Valley Energy. Prior to Saffron, he held executive roles at Fortescue Metals Group Limited, Anaconda Nickel (now Minara Resources) and McKinsey & Company, serving major international resources companies principally in the area of strategy and development. The Company's Senior Manager is Enzo Vegliante, a Production & Development Manager, and petroleum engineer with 18 years' experience covering different roles (in both the field and office) in different countries for ENI's strategic production assets.

2. HISTORY AND BACKGROUND TO THE TRANSACTION

Historically, the assets of the Company were owned and operated by Po Valley Energy, a company incorporated in Australia in 1999 and which has been listed on the Australian Stock Exchange since 2004. Po Valley Energy completed its first successful drilling and testing of the Sillaro Field in 2005 and secured its first production concession in 2008, achieving its first gas production in 2010. Having operated in Italy for more than 10 years, NSI is experienced in Italy's regulatory process and has successfully managed each stage of its exploration and production activities.

Prior to the incorporation of the Company, Po Valley Energy owned and developed its assets through its two subsidiaries, NSI and PVO. The historical Po Valley Energy group structure is shown in the figure below.

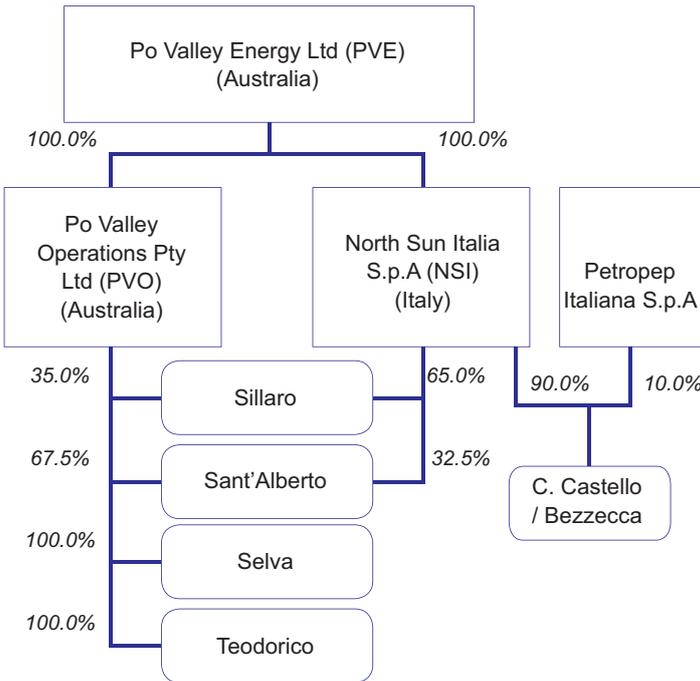


Figure 2 Historical ownership structure of NSI

In 2016, Po Valley Energy took the decision to separate its existing production and near term production assets from its longer-term development assets, with the existing production and near term production assets being transferred to the Group. In order to achieve this, in 2016, Po Valley Energy initiated a capital re-structuring that involved:

- transferring the total interest of PVO in the Sillaro Production Licence and Sant'Alberto Application into NSI;
- incorporating the Company, with Po Valley Energy as its sole shareholder, to act as an intermediate holding company of NSI; and

- seeking admission of the Company to AIM and the raising of funds through the placing and subscription of shares to outside investors.

Following completion of the Placing and Subscription, Po Valley Energy will hold approximately 65.05 per cent. of the issued share capital of the Company. Eventually, Po Valley Energy intends to distribute its shares in the Company to its own shareholders, so that the Company becomes a fully independent gas production and development company. However, this distribution will not occur until after the end of the 12-month lock-in period into which Po Valley Energy has entered. Further information on the relationship, lock-in and orderly market arrangements can be found in sections 10, 11 and 12 of this Part 1. The group structure after the reorganisation of the Po Valley Energy group and Admission will be as set out in Figure 3 below.

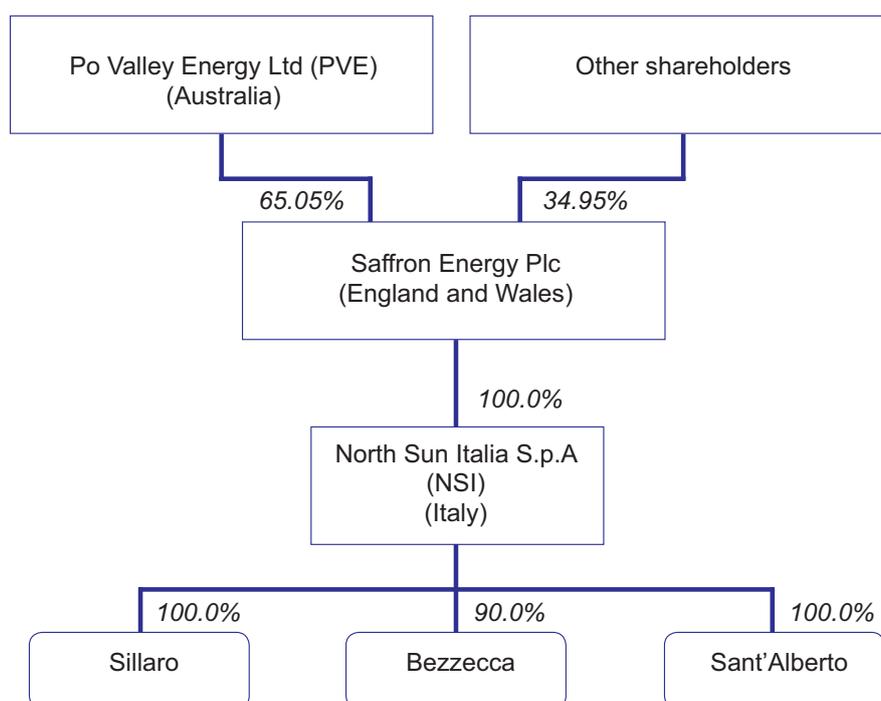


Figure 3 The Group proposed corporate structure

3. THE GROUP'S ASSETS

Through NSI, the Company has an interest in the Sillaro Production Licence, the Cascina Castello Production Licence and the Sant'Alberto Application, which has received a favourable opinion from the Commission for Hydrocarbons and Mining Resources of the Ministry. The Licences and Sant'Alberto Application are all situated within the Po Valley. The Po Valley runs south east from Milan to the Adriatic coast at Venice. Oil and gas has been produced in the area for over 60 years. The region was under exclusive concession to ENI, the Italian state owned petroleum authority, until 1996 when the area was opened up to competition.

Table 1 The Company's Gas Reserves and Contingent Resources

Gas by field (bcf)	1P	2P	3P	1C	2C	3C
Sillaro – 100%	0.0	2.2	2.7	0.6	1.1	1.5
Bezzecca – 90%	2.8	4.4	6.1	1.0	1.6	2.1
Sant'Alberto – 100%	1.7	2.0	2.8	–	–	–
Total Gross*	4.5	8.7	11.6	1.6	2.7	3.7
Net attributable to Company	4.2	8.2	11.0	1.5	2.5	3.4

* bcf figures for Sillaro, Bezzecca and Sant'Alberto have been rounded down.

Note: This Table 1 has been extracted from the Competent Person's Report as set out in Part 4 of this document.

The Company has (and will have on the grant of a production concession in respect of the Sant’Alberto Application) gas reserves across the Licences and Sant’Alberto Application totalling 8.7 bcf in 2P (Proved and Probable) reserves, (of which 8.2 bcf are attributable to the Group) and an additional 2.7 bcf in 2P Contingent Resources (of which 2.5 bcf are attributable to the Group).

Sillaro

The Sillaro Production Licence is located in the Emilia Romagna region, 30km east of Bologna, in northern Italy. The Sillaro Field is the name given to the Pliocene gas sequences above the former Budrio field (Miocene production), one of ENI’s old assets. Gas was discovered at the Budrio field in April 1955 with the drilling of well Budrio-2. The Budrio field was eventually abandoned in 1982.

NSI began development of the Sillaro Field in 2005, with production beginning in May 2010 from two wells (one dual completion, one single completion). The total production from the Sillaro Field as of 31 July 2016 was 4.13 bcf. The current daily production of gas from the Sillaro Field is 300-400 Mcf per day. No further drilling is anticipated to produce the 1P reserves.

Production for the Sillaro Field for the period from 1 January 2013 to 30 September 2016 on a quarterly basis is shown in Figure 4 below.

Historical production for the Sillaro Field in 2013 and 2014 ranged from 1,800 to 2,500 Mcf/day. This rate declined in December 2014 due to the depletion of some reservoirs and water incursion and associated sand production from some completions.

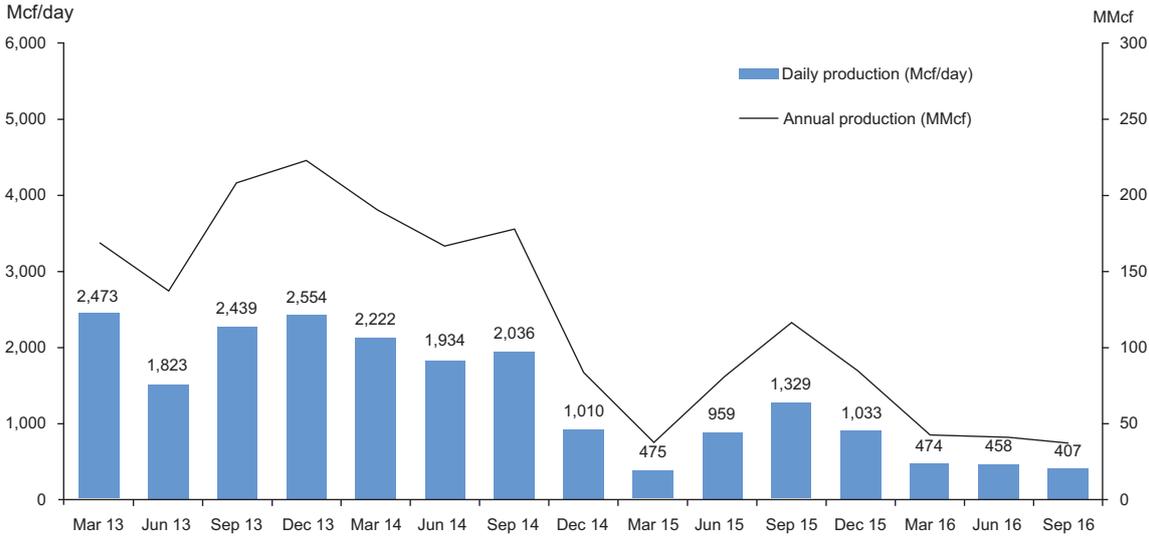


Figure 4 Historical production – Sillaro Field

The Company has identified a number of initiatives to increase production from the Sillaro Field and these will be pursued through 2017 and 2018. Gas production expansion initiatives include a rigless workover of the existing two wells and a planned development of the deeper Miocene levels through a new well or side track well in 2018.

2P and 3P reserves will be accessed by re-drilling Sillaro-1 with a deviated well (Sillaro-3Dir) in 2018 at an expected cost of €3.4 million. In the 3P case, two further interventions at a cost of €115,000 each are required in 2018 and 2020. Production from the Sillaro Field is expected to increase from current minimal levels up to 1,387 Mcf/day.

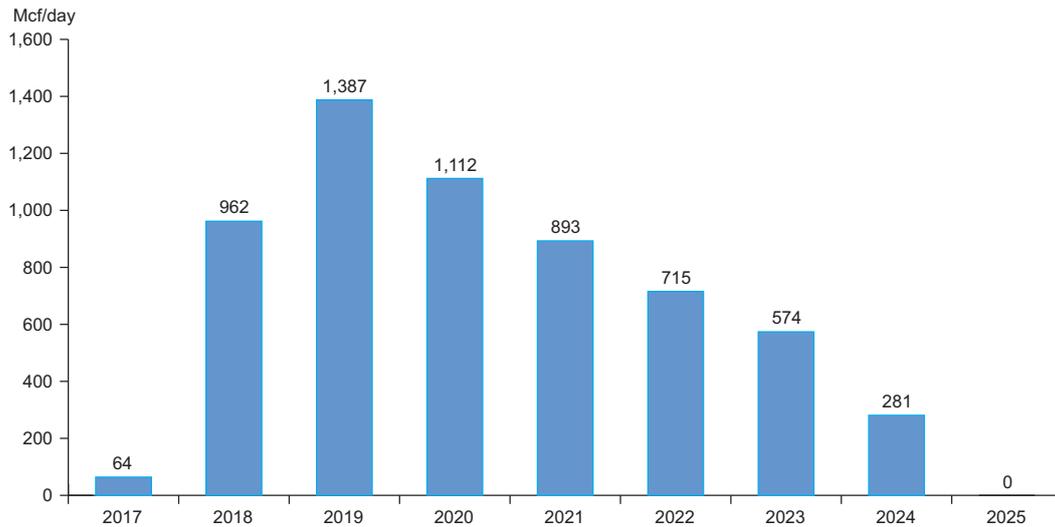


Figure 5 Estimated Sillaro Field production plan based on 2P reserve estimate

Bezzecca

The Bezzecca Field is located 35km east of Milan within the Cascino Castello Production License. The Bezzecca Field was awarded production concession status in July 2014 through the enlargement of the existing Cascina Castello Production License. One well (single completion) has already been drilled (Bezzecca-1) on the Bezzecca Field. The Bezzecca Field is currently being developed as a 7km tieback to NSI's existing gas plant at Vitalba, which has spare capacity. First gas from the Bezzecca Field is expected in March 2017.

The Vitalba gas processing facility is connected to the Italian national grid and NSI has gas offtake agreements in place with the international oil and gas company Shell Energy Italia s.r.l., through which all current and future gas production can be sold.

Commercial production at the Cascino Castello Production License first commenced in 2009 through the Vitalba gas field. The Vitalba gas field produced approximately 600 Mcf/day for the first quarter of 2013, but this declined fairly rapidly (see figure 6 below) due to an increase in water production. The Vitalba gas field subsequently ceased production of gas and is not planned to re-enter production.

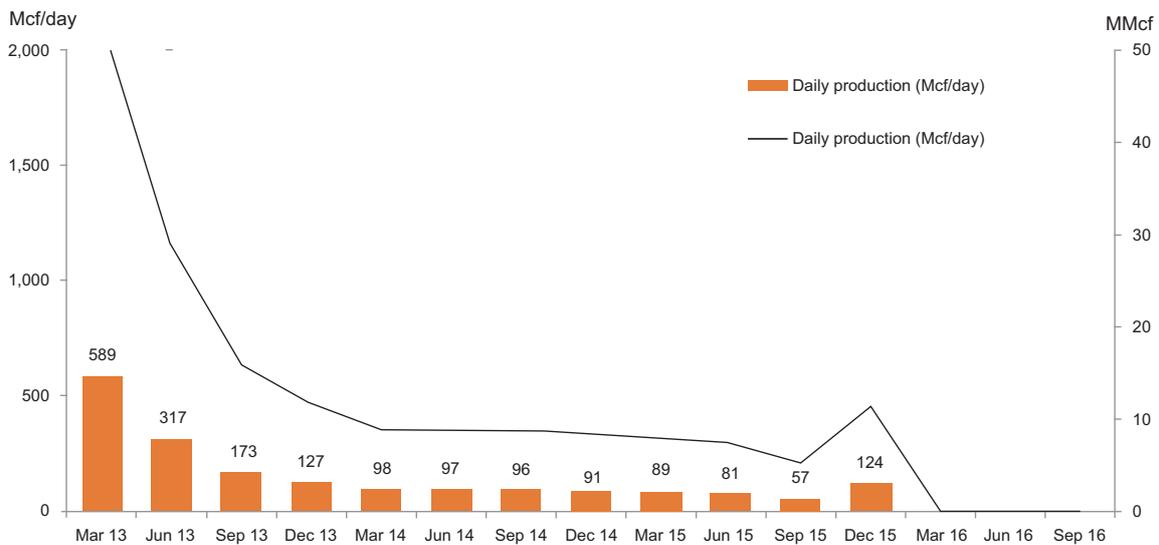


Figure 6 Historical production – Cascina Castello Production Concession (Vitalba gas field)

In December 2014, a farm-out agreement was executed by NSI with Petrorep Italiana S.p.A. (“**Petrorep**”) which permits Petrorep to earn a 10 per cent. interest in the Cascina Castello Production Licence (where the Bezzecca Field is located) including the existing Vitalba plant (excluding the Vitalba-1 well). In exchange for a 10 per cent. economic interest, Petrorep will commit to the first €600,000 plus VAT in capital expenditure for the development of the Bezzecca Field, including the 7km pipeline installation, exploration drilling expenditures for the development well Bezzecca-2 and reimbursement on past costs. The Company will, through NSI, retain the residual economic interest and operatorship.

NSI has a service agreement in place with TESI S.r.l (“**TESI**”) for the mechanical installation works and installation of the pipeline connecting the Bezzecca-1 well to the existing Vitalba gas processing facility. The total amount payable by NSI for the services is €2.18 million plus VAT, of which the JV partner Petrorep will contribute the first €600,000 plus VAT, as noted above.

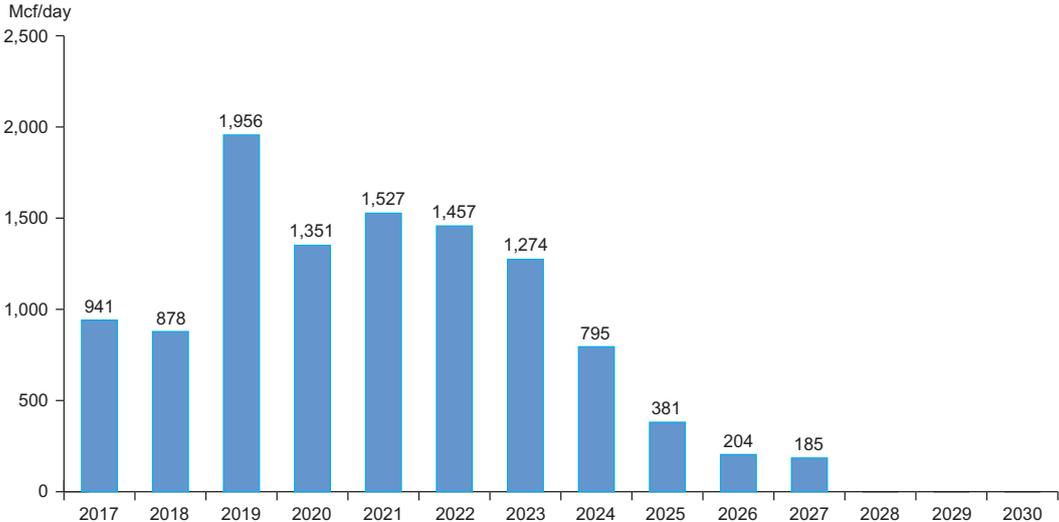


Figure 7 Estimated Bezzecca Field production plan based on 2P reserve estimate

A second well, Bezzecca-2 is planned to be drilled in 2019 to boost production at an estimated cost of €4.04 million, and then a third well, Bezzecca-3, is planned to be drilled in 2021 at an estimated cost of €3.92 million.

Sant’Alberto

Once NSI has received Ministry consent to the issue of a production concession, the development of the Sant’Alberto Field is expected to follow the development of the Bezzecca Field. The Sant’Alberto Field has an existing completed production well in place from which it is expected that both 1P and 2P reserves can be depleted. Development of the Sant’Alberto Field involves the installation of a modular gas processing facility and connection of the gas processing facility to the Italian national grid.

The development has received environmental approval from the Ministry of Environment and the Company expects a full production concession to be granted by the Ministry during the first half of 2017. Subject to the granting of production concession, development of the Sant’Alberto Field is planned for the second half of 2017 and will be funded from the proceeds of the Placing, the Subscription and internally generated cashflows.

The Sant’Alberto Field is a greenfield development that is estimated to cost €1.31 million to bring into production.

A second well targeted for 2019, with a budgeted cost estimate of €2.5 million, will be required to deplete the 3P resources.

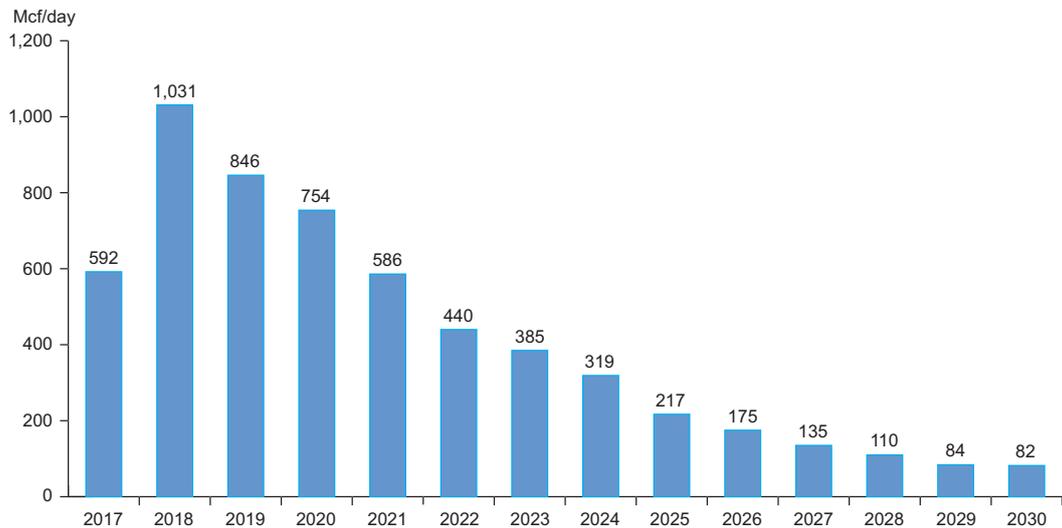


Figure 8 Estimated Sant'Alberto Field production plan based on 2P reserves

4. THE ITALIAN GAS INDUSTRY

The development of Italian gas industry

The gas industry in Italy developed after World War II around the vertically-integrated state-owned entity, ENI, when it found large quantities of gas in the Po Valley region. A pipeline network was created to connect the large factories in the northern part of the country and this facilitated the expansion of local manufacturing industry in the 1950's and 1960's. The profits from natural gas sales were reinvested into exploration and production activities and in the expansion of the pipeline infrastructure. By 1960, Italy was the largest gas producer and consumer in Europe and the gas network continued to expand. With a rapid increase in gas consumption in the industrial, residential and commercial sectors, this growing demand began to outstrip domestic supply. The first imports into Italy started in 1971 when the liquefied natural gas (LNG) import terminal at Panigaglia began operations. Since the early 1990s the size of the Italian pipeline network has tripled, together with the demand for gas.

The liberalization process started in 1998 with the EU gas directives, designed to create an internal market for gas. Vertically integrated national companies were broken up, allowing competitors to enter on the supply side and customer switching on the demand side.

More than ten years later, the gas industry had been fully liberalized, the Directors believe that competition has yet to reach its full potential with a few players still dominating the upstream and wholesale sectors. Nevertheless, as with the rest of Europe, Italian gas markets are continuing to develop. The Punto di Scambio Virtuale, (PSV), the virtual hub, was created in 2003 and gas exchange with spot gas (day-ahead, intraday) and balancing gas platforms was launched in 2010 and 2011. Traded volumes are fast increasing and the PSV day-ahead process has started to track spot prices of North West European hubs since the end of 2012 thanks to governmental measures to improve liquidity and access to the market to new entrants.

According to the Snam Rete Gas Ten-year network development plan 2015-2024, Italy consumed 2.2 tcf in gas in 2014, and this is expected to grow at 2.1 per cent. per annum to 2024. Of this, only 231 bcf (0.2 tcf), or 11 per cent., was produced domestically, with the remaining 2.0 tcf imported from countries in the Mediterranean area.

5. STRATEGY OF THE GROUP AND ITS COMPETITIVE ADVANTAGES

The Group's corporate strategy is to grow the production of gas and operations at Sillaro, Bezzecca and Sant'Alberto at a low cost relative to other oil and gas companies, providing the basis for future shareholder value creation. The Group plans to leverage the expertise, capability, and local knowledge of its management team to acquire and develop future potential exploration licences and new production concessions in the region so as to underpin long term and sustainable growth. Following production increases, the intention of the Board is to reinvest into expanding production and then in the future look to return cash to shareholders through the payment of dividends. Further information relating to dividend policy is set out in section 14 of this Part 1.

The Directors believe that Italy remains an attractive market with gas and oil being of high quality, an accessible and low cost transportation network and a pricing environment that has been stable and higher than other comparable European countries.

The Directors believe that the Group has a number of competitive advantages including:

- significant existing gas reserves that underpin current and future production targets, thereby mitigating any exploration risk in future returns;
- two production licences secured in a challenging regulatory environment, which mitigates any regulatory or approval risk to future returns;
- upside potential in the Licences and Sant'Alberto Application. The Sillaro Field has the potential to increase production and it is planned to drill a sidetrack from Sillaro-1 (well) to intersect the Miocene level upon depletion of the Pliocene level. The Bezzecca Field has the potential to scale up to three production wells. The Cascina Castello Production Licence which contains both the Bezzecca and Vitalba gas fields has strong exploration potential with the Vitalba West prospect well defined by 3D seismic;
- a senior manager with 18 years' of experience, not only in petroleum, but also in the region, having worked in past roles for the state owned company, ENI. The Directors also have considerable experience in raising capital for natural resource projects across various commodities and quantities. In addition, the Directors have significant interests in the Company, both directly and through their shareholdings in Po Valley Energy and have considerable incentive to generate returns for the shareholders of the Company;
- NSI has in place a contract to supply gas of unlimited quantity to a major incumbent player, Shell Energy Italia S.r.l. Current and expanded production from the three gas fields is expected to be sold under this contract; and
- Italy is a stable jurisdiction with a significant demand for gas that it is presently only able to meet through imports.

6. PLACING, SUBSCRIPTION AND ADMISSION

The Company is proposing to raise approximately €2.94 million (equivalent to approximately £2.50 million) (before expenses) through the issue of 50,000,000 new Ordinary Shares at the Placing and Subscription Price, representing approximately 32.53 per cent. of the Enlarged Share Capital. It is intended that the net proceeds of the Placing and Subscription will principally be utilised to develop near-term production by completing a pipeline that connects the Bezzecca Field to the existing Vitalba plant that is in place on the Cascina Castello Production Licence and to develop the Sant'Alberto Field.

Table 2 – Use of Proceeds

	€'000
Starting cash balance (31 December 2016)	€15
Sources	
Placing and Subscription Proceeds – Gross	€2,935
Uses	
Transaction/Admission fees	€675
Financing Repayments ⁽¹⁾	€637
Settlement of Trade Payables	€682
Sillaro Capital Expenditure	€50
Sant'Alberto Capital Expenditure	€655
Working Capital	€236
Total	€2,935

Note 1: The Financing Repayments relate to NSI loans as set out in paragraphs 14.1 (j), (k), (l) and (m) of Part 6 of this document and will be repaid following Admission from the proceeds of the Placing and Subscription.

Pursuant to the Placing Agreement, Turner Pope has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares and the Company and the Directors have given certain warranties (and the Company has given an indemnity) to Turner Pope and Grant Thornton, all of which are normal for this type of agreement.

The Placing, which is not underwritten, is conditional, *inter alia*, on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission having occurred no later than 24 February 2017 (or such later date as Turner Pope, Grant Thornton and the Company may agree, being no later than 24 March 2017). The estimated net proceeds of the Placing and Subscription are approximately €2.27 million (£1.93 million), all of which will be payable to the Company.

Further details of the Placing Agreement are set out in paragraph 14 of Part 6 of this document.

The Company believes that Admission to AIM will enable it to, *inter alia*:

- access investors and raise funds for the development of the Group, both at the time of Admission and thereafter;
- provide the flexibility to raise capital for future corporate acquisitions and to use its quoted securities as consideration for such acquisitions; and
- raise the profile of the Group among investors and give confidence to customers, suppliers and regulatory authorities.

Pursuant to the Subscription Agreements, each Subscriber has, subject to Admission, irrevocably subscribed for Subscription Shares at the Placing and Subscription Price. The Company has given warranties as of the date of Admission in substantially the same terms as provided in the Placing Agreement. Further details of the Subscription Agreements are set out in paragraph 14, of Part 6 of this document.

7. FINANCIAL INFORMATION ON THE GROUP

Part 5 of this document contains Historical Financial Information on Saffron Energy Plc for the period from incorporation on 10 November 2016 to 31 December 2016, Historical Financial Information on Northsun Italia S.p.A for the 6-month period ending 30 June 2016 and for the years ending 31 December 2013, 2014 and 2015, and an unaudited pro forma statement of net assets of the Group. As set out in section 3 of this Part 1, the principal focus of the Group's current activities is bringing into production Bezzacca and subsequently, following grant of the relevant production concession, Sant'Alberto, which are expected to result in a material improvement on the Group's gas production

during 2017. At present, the Company' sole producing asset is the Sillaro Field. The Sillaro Field has experienced a decline in production since December 2014 due to several factors and the Company has identified a number of initiatives to increase production which are expected to increase production from 2018 onwards. The Directors have confidence in the strategy and future prospects of the Group, which will be centred around the continued execution of the Group's strategy as set out in section 5 of this Part 1, and the evaluation of potential acquisition opportunities, which may or may not require the additional raising of finance.

8. DIRECTORS, SENIOR MANAGER AND EMPLOYEES

The Board of Directors and a summary of their experience is set out below:

David Robertson Garland, *Independent Non-Executive Chairman, aged 53* – David is the former General Counsel, Secretary and Chief Compliance Officer of Dominion Petroleum Limited (an AIM quoted oil and gas exploration company). Before joining Dominion, he had practised as a barrister for 18 years at Brick Court Chambers, a leading commercial barristers' chambers in London. He is a non-executive director of W Resources Plc, an AIM quoted company with tungsten and gold assets in Spain and Portugal and was a founder and is currently a director of Atacama Metals Holdings Limited, a private Hong Kong registered copper exploration company, with mining interests in the Atacama Desert in Chile. He is also the Legal Advisor to Hague and London Oil plc (an AIM quoted oil and gas exploration company).

Michael George Masterman, *Chief Executive, aged 54* – Michael is a co-founder of NSI. Michael took up the position of Executive Chairman and CEO of Northsun Italia S.p.A. in 2002 and resigned in October 2010 to take on an executive role with Fortescue Metals Group Limited. Michael is currently Chairman and a substantial shareholder of Po Valley Energy holding approximately 26.82 per cent. Prior to joining NSI he was CFO and Executive Director of Anaconda Nickel (now Minara Resources). Michael oversaw the financing of the US\$1 billion Murrin Murrin Nickel and Cobalt project in Western Australia, involving the negotiation of a US\$220 million joint venture agreement with Glencore International and the raising of US\$420 million in project finance from a US capital markets issue – the first of its kind for a greenfield mining project. Prior to joining Anaconda Nickel, he spent 8 years at McKinsey & Company serving major international resources companies principally in the area of strategy and development. He is also Chairman of W Resources Plc, an AIM quoted company with tungsten and gold assets in Spain and Portugal.

Kevin Christopher Bailey, *Non-Executive Director, aged 56* – Kevin has over 28 years' experience in the Financial Services industry and currently holds various directorship and leadership positions in both commercial and non-for-profit organisations. He is currently a Non-Executive Director and a substantial shareholder of Po Valley Energy holding approximately 21.30 per cent. He is a Member of the Australian Prime Minister's Community Business Partnership, Chairman of Parousia Media, as well as a Director of the Investment Advisory Board (IAB), Timor Leste Sovereign Wealth Fund, Outward Looking International, and Halftime Australia. He also holds a number of directorships in various charitable organisations and NGOs. On the 26 January 2017 Kevin was awarded the Order of Australia for significant service to Australia-Timor Leste relations, to philanthropic organisations, to the financial planning sector, and to the community.

Sara Melinda Edmonson, *Non-Executive Director, aged 36* – Since August 2013 Sara has been Chief Executive Officer of Po Valley Energy having joined the company in July 2010 as Chief Financial Officer. Sara is also CEO of NSI and is currently on maternity leave, and until further notice her role in the Group will be serving on the Board as a Non-Executive Director. She is fluent in Italian, having previously worked both in Italy and internationally for EY Transaction Advisory Services. During her tenure at EY, Sara advised numerous blue chip corporate clients on transactions in Russia, Romania, Turkey and the US including the US\$ 5 billion acquisition of DRS Technologies by Finmeccanica in 2008. She holds an MBA from St John's University in New York City.

Christopher Alan Johannsen, *Independent Non-Executive Director, aged 52* – Chris has over 27 years' experience in investment banking and the resources industry, including the last 13 years in the

UK and Australia with Standard Chartered Bank and Gryphon Partners Advisory, a boutique resources specialist corporate advisory firm based in Australia which, prior to its acquisition by Standard Chartered Bank in September 2011, had established a preeminent advisory position in the Australian mining and metals sector, completing over US\$23 billion of M&A and capital markets transactions and strategic advisory mandates. At Standard Chartered Bank, Chris was a Managing Director in its global Mining & Metals team and Head of Mining & Metals Advisory for the EMEA region. Prior to that, Chris spent 14 years in various senior management corporate and finance roles within Normandy Mining Limited, then Australia's largest gold mining group.

The Senior Manager and a summary of his experience is set out below:

Enzo Vegliante, *Production & Development Manager, aged 45* – Enzo is a petroleum engineer with 18 years' experience covering different roles (in both the field and office) in different countries for ENI's strategic production assets. His background is mainly in reservoir management and his last experience was as a reservoir manager for a giant gas condensate field in Kazakhstan.

The Group will have 5 employees (including the Chief Executive but excluding the Non-Executive Directors) as at Admission.

9. DIRECTORS' INTERESTS AND POSITIONS IN PO VALLEY ENERGY

On Admission, the Directors and those persons or entities over which such Director has control and is required to disclosed under the Australian Stock Exchange, will (in aggregate) hold the following interests and board positions in Po Valley Energy:

Director	Number of shares held in Po Valley Energy	% holding of Po Valley Energy	Indirect % interest in Saffron	Direct % Interest in Saffron	Total % Interest in Saffron
Michael Masterman	147,602,085	26.82	17.45	0	17.45
Kevin Bailey	117,230,533	21.30	13.86	0	13.86
Sara Edmonson	1,148,224	0.21	0.14	0.65	0.79
David Garland	0	0	0	0	0
Christopher Johannsen	0	0	0	0	0

10. RELATIONSHIP, LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

The Company has entered into a relationship, lock-in and orderly marketing deed dated 20 February 2017 (the "**Relationship and Lock-in Deed**") with Po Valley Energy, Grant Thornton and Turner Pope pursuant to which the Company and Po Valley Energy agree to regulate aspects of the continuing relationship between them. In particular, Po Valley Energy has agreed to ensure that the Company is capable at all times of carrying on its business independently and that transactions between the parties are on arm's length terms and on a normal commercial basis.

Pursuant to the terms of the Relationship and Lock-in Deed, Po Valley Energy has undertaken to the Company, Grant Thornton and Turner Pope that it will not sell or dispose of any of its interests in Ordinary Shares except in certain limited circumstances (as permitted by the AIM Rules) at any time before the first anniversary of Admission and, for 12 months immediately following such lock-in period, will effect a sale only through the Company's broker for the time being with a view to maintaining an orderly market in the Ordinary Shares.

Further information on the Relationship and Lock-in Deed can be found in paragraph 14 of Part 6 of this document.

11. CONTROLLING SHAREHOLDER AND RELATIONSHIP AGREEMENT

On Admission, Po Valley Energy will hold Ordinary Shares representing approximately 65.05 per cent. of the Enlarged Share Capital. The Independent Directors are satisfied that the Company is capable of

carrying on its business independently of Po Valley Energy and that all transactions and relationships between Po Valley Energy and the Company are and will continue to be at arm's length and on commercial terms.

To ensure that Shareholders are adequately protected in this regard, the Company has entered into the Relationship and Lock-in Deed as noted above, where Po Valley Energy has given certain undertakings to the Company to the effect that the Board can, amongst other things, operate on an independent basis. In considering any proposed arrangements or contracts between Po Valley Energy and the Company, Michael Masterman, Kevin Bailey and Sara Edmonson are not considered independent and will abstain from voting on any such arrangement or contracts at any Board meeting of the Company. Further details of the Relationship and Lock-in Deed are set out in paragraph 14 of Part 6 of this document.

12. SARA EDMONSON LOCK-IN AGREEMENT

Sara Edmonson has undertaken by letter dated 20 February 2017 to the Company, Turner Pope and Grant Thornton that she will not sell or dispose of any of her interests in Ordinary Shares except in certain limited circumstances (as permitted by the AIM Rules) at any time before the first anniversary of Admission and, for 12 months immediately following such lock-in period, will effect a sale only through the Company's broker for the time being with a view to maintaining an orderly market in the Ordinary Shares.

Further information on this lock-in agreement can be found in paragraph 14 of Part 6 of this document.

13. CORPORATE GOVERNANCE

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance commensurate with the size and nature of the Company and the interests of its Shareholders. The UK Corporate Governance Code does not apply to companies admitted to trading on AIM and, while there is no formal alternative for AIM companies, the Quoted Companies Alliance has published the QCA Corporate Governance Code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the "QCA Guidelines"). The Company will seek to comply fully with the QCA Guidelines and with the UK Corporate Governance Code as far as possible, having regard for the size, stage of development and resources of the Group.

Following Admission, the Board will comprise five directors including one executive Director and four non-executive Directors. The Board considers that David Garland and Christopher Johannsen are independent within the meaning of the UK Corporate Governance Code. Further information relating to the Directors is set out in section 8 of this Part 1 and in paragraphs 9 and 10 of Part 6 of this document.

Michael Masterman, Kevin Bailey and Sara Edmonson are not considered independent and will abstain from voting on any arrangement or contracts involving Po Valley Energy at any Board meeting of the Company.

A description of the Company's proposed corporate governance practices is set out below:

The Board

The Board is responsible for the overall management the Group. The Board will meet bi-monthly. Matters specifically reserved for the Board include matters relating to management structure and appointments, review of performance, corporate finance and approval of any major capital expenditure and the framework of internal controls.

The Board will be responsible for establishing and maintaining the Company's system of internal financial controls and importance is placed on maintaining a robust control environment. The key

procedures which the Board intends to establish with a view to providing effective internal financial control include the following:

- the Company has instituted a monthly management reporting process to enable the Board to monitor the performance of the Company;
- the Board has adopted and review a comprehensive annual budget for the Company. Monthly results will be examined against the budget and deviations will be closely monitored by the Board; and
- the Board is responsible for maintaining and identifying major business risks faced by the Company and for determining the appropriate courses of action to manage those risks.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Company will therefore be subject to regular review by the Board in light of the future growth and development of the Company and adjusted accordingly.

The Board has established a Remuneration & Nominations Committee and an Audit & Risk Committee and has adopted a Share Dealing Code, an Anti-bribery and Anti-corruption Policy and a Hydrocarbon Reserves Policy as each of which is described below.

Remuneration & Nominations Committee

The Board seeks to ensure that the Group adopts remuneration practices which will enable it to attract and retain high calibre and suitably qualified employees, executives and directors whose interests are aligned with those of Shareholders.

The Company has established a Remuneration & Nominations Committee which is responsible for providing recommendations to the Board on matters including:

- the composition of the Board and competencies of Board members;
- the appointment of Directors;
- the evaluation of the performance of executive Directors and the process for evaluation of the Senior Manager;
- the Company's remuneration policies and practices and the remuneration of the executive Director, Senior Manager and Non-Executive Directors; and
- succession planning for Directors and Senior Manager.

The Remuneration & Nominations Committee will comprise Kevin Bailey, David Garland and Chris Johannsen who will chair the Committee.

The Remuneration & Nomination Committee has adopted a formal charter. Board performance will be reviewed annually by the committee. The Board has not formalised the procedures for selection and appointment of new Directors or re-election of incumbent Directors. However, the Board regularly reviews its composition to determine whether it has the right mix of skills and experience.

The Remuneration & Nominations Committee is also responsible for ensuring an appropriate process is followed for the review of the performance of the executive Director and senior management.

At the beginning of each year, the committee agrees both overall, company and individual performance objectives for the executive Directors and Senior Manager. Performance is evaluated and any performance based remuneration for the executive Directors and Senior Manager is approved following the end of each year.

Audit & Risk Committee

The Company has established an Audit & Risk Committee which provides advice and assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to internal and external audit, risk management systems, financial and market reporting, internal accounting, financial control systems and other items as requested by the Board.

The Board is committed to ensuring that the Company's financial reports present a true and fair view of the Company's financial position and comply with relevant accounting standards. The Audit & Risk Committee assists the Board in discharging its responsibilities for ensuring the highest standards of financial reporting and for ensuring that appropriate internal controls are in place.

Risk Management

The Directors believe that an effective risk recognition and management strategy is essential in creating and maintaining shareholder value and ensuring the successful execution of the Company's strategies in gas exploration and development.

The Board has oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Audit & Risk Committee.

The Board has established a risk management and internal control system for the management of material business risks. Group management is responsible for reporting to the Board on the effectiveness of this system.

The Audit & Risk Committee will comprise Sara Edmonson, David Garland and Chris Johannsen who will chair the Committee.

In fulfilling its obligations, the committee has direct access to the Company's auditors along with such of the Group's employees, independent experts and advisers as it considers necessary to carry out its duties. The committee has been structured so that it:

- has three members;
- consists only of Non-Executive Directors;
- has a majority of independent Directors;
- is chaired by an independent chair, who is not the chair of the Board; and
- comprises members with the appropriate financial and business expertise to act effectively as a member of the committee.

Share Dealing Code

The Share Dealing Code ("***the Code***") adopted by the Company applies to any person discharging management responsibility, which will apply to all the Directors, any closely associated persons and applicable employees (as each is defined in the Code). The Code sets out their responsibilities under the AIM Rules, FSMA and the Market Abuse Regulation (EU) No. 596/2014 ("***MAR***") and other relevant legislation. The Code addresses the share dealing restrictions as required by the AIM Rules and where applicable MAR. The Code's purpose is to ensure that Directors and other relevant persons do not abuse, or place themselves under suspicion of abusing, inside information that they may have or be thought to have, especially in periods leading up to an announcement of results. The Code sets out a notification procedure which is required to be followed prior to any dealing in the Company's securities.

Anti-bribery and Anti-corruption Policy

It is the Company's policy, as set out in the Anti-bribery and Anti-corruption Policy, to conduct all of its business in an honest and ethical manner and to take a zero-tolerance approach to bribery and corruption. The Company is committed:

- (a) to acting professionally, fairly and with integrity in all of its business dealings and relationships wherever it operates; and
- (b) to implementing and enforcing effective systems to counter bribery and corruption, including the adoption of this Policy.

The purpose of the Policy is to set out the Company's responsibilities, and the responsibilities of those working for the Group, in observing and upholding its position on anti-bribery and anti-corruption and to provide information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues.

Promoting Ethical and Responsible Decision-Making

Company Code of Conduct

The Company has adopted a code of conduct pursuant to which Directors and employees are required to abide by all relevant laws and regulations, to respect confidentiality and the proper handling of information and act with the highest standards of honesty, integrity, objectivity and ethics in all dealings with each other, the Company, customers, suppliers and the community.

Hydrocarbon Reserves Policy

The Company has adopted a Hydrocarbon Reserves Policy in order to assist in the implementation of processes, standards and controls to ensure reliable hydrocarbon reserves estimates, consistent with industry best practice, in order to facilitate effective business management decision-making and accurate reporting of the Company's reserves. The Chief Executive is responsible for the implementation of the policy while the Board oversees and approves the policy and monitors its implementation.

Health, Safety and Environment

Saffron is dedicated to pursuing the highest health and safety standards in the workplace and regards environmental sustainability as an integral part of its business strategy and corporate citizenship.

The Company regards environmental awareness and sustainability as key considerations in planning and carrying out the Group's business activities. The Group conducts its activities in accordance with these principles.

In every instance, the Group seeks to employ the most advanced technology available and to apply the highest safety measures in each situation. Appropriate protection policies are an important selection criterion for contractors, whose activities are monitored for compliance.

NSI Governance

NSI has adopted the traditional Italian corporate governance model based on a *Collegio Sindacale* (Statutory Auditors) who are independent qualified auditors that report to Shareholders and the Board. The *Collegio Sindacale* have various responsibilities under Italian law namely compliance with specific areas of corporate law as well as the company's by-laws. The *Collegio Sindacale* therefore has an intimate knowledge of NSI's specific articles of association and constitution.

In addition to its reporting duties, the *Collegio Sindacale* will review the company's organizational structure from an administrative and accounting standpoint on an on-going basis. An opinion on the effectiveness of the accounting and administrative procedures in place can be found in the *Collegio Sindacale*'s audit opinion to the annual accounts. Naturally, the size and complexity of NSI's business as well as the shareholding structure is considered while conducting this review. The annual accounts

are the responsibility of the Board and are prepared under Italian GAAP. They are presented and approved by NSI's Shareholders within the first six months of the calendar year. The *Collegio Sindacale* members attend the Shareholders meeting to approve the annual accounts and will at that time provide a verbal overview of their opinion and any recommendations they might have to improve the company's organizational structure or accounting procedures and systems.

Under Italian law, the *Collegio Sindacale* is appointed by the Shareholders every three years. Members of the *Collegio Sindacale* regularly attend Board meetings with the primary objective of ensuring that statutory procedures, provided by Italian law, are adhered to and that Board resolutions are effectively aligned with the company's by-laws. They do not however intervene or comment on strategic decisions or direction which is the sole responsibility of the Shareholders and the Board.

Board members and management are required to dedicate an appropriate amount of time to regularly update the *Collegio Sindacale* of NSI's performance, outlook and any transaction of relevance or similar. At NSI, meetings between the *Collegio Sindacale* and management are generally held on a quarterly basis.

In addition to the *Collegio Sindacale*, NSI has also appointed an external auditor to provide audited accounts under IFRS.

14. DIVIDEND POLICY

The Company will consider paying dividends at such time as the Company is generating an operating profit. The declaration and payment by the Company of any future dividends, and the amount of such dividends, will depend upon the Company's financial position at the time, forecasts of future activity including capital expenditure, sustainability of earnings, the need to provide appropriate dividend cover and other factors deemed by the Board to be relevant at the time.

15. REGULATORY RIGHTS AND OBLIGATIONS

Disclosure and Transparency Rules

Shareholders are required to comply with DTR 5 of the Disclosure and Transparency Rules and to notify the Company when they acquire or dispose of a major proportion of their voting rights of the Company (either as Shareholder or through their direct or indirect holding or certain financial instruments, or a combination of such holdings) equal to or in excess of three per cent. of the nominal value of that share capital (and every one per cent. thereafter).

16. TAXATION

Potential investors are referred to paragraph 17 of Part 6 of this document for details of taxation of the Company and Shareholders in the UK. **If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately** if you are resident in the UK, or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

17. ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. on 24 February 2017. These dates and times may change.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Existing Ordinary Shares are admitted to CREST and the Company has applied for the Enlarged Share Capital to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in all Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

All Placing Shares and Subscription Shares will be issued payable in full at the Placing and Subscription Price. It is intended that, if applicable, definitive share certificates in respect of the Placing Shares and Subscription Shares will be distributed by 10 March 2017 or as soon as possible thereafter. No temporary documents of title will be issued.

18. THE CITY CODE ON TAKEOVERS AND MERGERS

As a company incorporated in England & Wales whose Ordinary Shares will be admitted to trading on AIM the City Code applies to the Company.

Under Rule 9 of the City Code ("**Rule 9**"), any person who acquires an interest in shares (as defined in the City Code), whether by a series of transactions over a period of time or not, which (taken together with any interest in shares held or acquired by persons acting in concert (as defined in the City Code) with him) in aggregate, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel on Takeovers and Mergers (the "Panel") to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the City Code, a concert party arises where persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control (as defined below) of a company or to frustrate the successful outcome of an offer for a company. "Control" means holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

At Admission, the Company will be a subsidiary of Po Valley Energy and consequently Po Valley Energy will not be restricted from dealing in Ordinary Shares except as provided under the Relationship and Lock-in Deed as detailed in section 10 above of this Part 1. In particular, Po Valley Energy will hold more than 50 per cent. of the Enlarged Share Capital of the Company and accordingly will be able to increase its interest in shares of the Company without incurring an obligation under Rule 9 to make a general offer to Shareholders to acquire the entire issued share capital of the Company.

19. SHARE OPTION SCHEMES

The Group does not have any share option schemes and has no plans to introduce any share option schemes for the foreseeable future.

20. FURTHER INFORMATION

You should read the whole of this document and not just rely on the information contained in this Part 1. Your attention is drawn to the information set out in Parts 2 to 6 of this document which contains further information on or relevant to the Company. In particular, your attention is drawn to the risk factors set out in Part 3 of this document.

PART 2

SUMMARY OF THE ITALIAN REGULATORY REGIME

Exploration Permits Overview

Application Process

The first time a company applies for an exploration permit or farms into an existing exploration permit, it must submit application documentation to the Ministry demonstrating technical and financial capability. The Ministry may ask for a bank guarantee from the company in respect of its financial capability.

On lodging an application with the Ministry, an announcement is published in the official bulletin of hydrocarbons which commences a 3-month competition period where other parties may lodge an application covering the same area. When reviewing applications for a licence, the Ministry may:

1. approve an award;
2. propose a joint venture be formed; or
3. decline all applications.

Preliminary granting of an exploration permit is subject to the approval of an environmental impact assessment report. If the proposed license area contains protected areas, then a more detailed environmental study may be required. Onshore, the environmental impact assessment procedure is handled by the regional governments whose processes may differ from region to region ranging from closed meetings among local authorities to open meetings with local communities. For offshore licenses, the environmental impact assessment report authorization is obtained from the Ministry of Environment. In any case, the public is always informed about any environmental impact assessment process. Upon approval of the environmental impact assessment report, the final granting of the license is made by the Ministry.

Exploration Permit Terms and Conditions

Exploration permits are granted for an initial six-year term, with up to two possible renewals of three years each. Of the initial area, 25 per cent. must be relinquished upon the first renewal and 25 per cent. must be relinquished upon the second renewal (if the initial area is larger than 300 km²). The maximum area that can be awarded is 750 km² per permit. A company can withdraw from an exploration permit, but it is then unable to re-apply for the same area for the next four years.

Exploration permits are exclusive and assignable, and can be awarded to a single title holder or to a group of companies (who must appoint an operator).

Production Concession Overview

Application Process

When a discovery has been made, the operator has the exclusive right to proceed toward development through the award of a production concession. The award process is similar to that of the exploration permit process in that it includes preliminary granting, environmental impact assessment report approval, and final granting. The production concession process however differs from the exploration permit process in that it is an exclusive process available solely to the operator. The application process may take more than a year.

Production Concession Terms and Conditions

The initial duration of production concessions is 20 years. After 15 years the concession holder can apply for an extension of 10 years. Further extensions of five years are possible. The maximum area that can be awarded is 150 km² per concession.

Regional royalties are applicable:

- Mainland Italy – A royalty of 10 per cent. on all production in excess of 20,000 tonnes per year for liquids (146,000 bbls/yr or approximately 400 bbls/d) and 25 mmcm of gas per annum (882,866 mmscf/yr or approximately 2.4 mmscf/d). Below these production levels, no royalty is due;
- Offshore Italy – Zero per cent. royalty applies to production not exceeding 50,000 tonnes per year (365,000 bbls/yr or approximately 1,000 bbls/d) and 80 mmcm of gas per annum (3.825 Bcf/yr or approximately 77 mmscf/d). Above these production levels, royalty at 7 per cent. on liquids and 10 per cent. on gas is charged.

Sant’Alberto Production Concession Award Process

The Sant’Alberto production concession award procedure is regulated by article 10 on “Production concession” of the Ministry’s decree of July 15, 2016 on “Operating procedures implementing the March 25, 2016 decree and ways for carrying on activities of prospection, exploration and production of liquid and gaseous hydrocarbons and related controls, under Article 19, paragraph 6, of the same decree”. Under this article an onshore production concession is granted with a Ministry decree in agreement with the territorially interested Region at the end of a single administrative process. During such process the Ministry obtains (i) the opinions of the competent regions, large area entity (former provinces), towns and the Superintendencies (the fine arts bureaus); and (ii) the result of the environment assessment on the production licence project. Once the Ministry has received the result of the environment assessment, it has to call a meeting known as a services’ conference in order to obtain the consent from the region and the opinions of the large area entity (former provinces), towns and the Superintendencies (the fine arts bureaus). Once the services’ conference has taken place, the Ministry can issue its decree granting the production licence.

Taxation Regime

National corporate tax rate

Italian tax resident companies are subject to corporate income tax (the “**IRES**”) on their worldwide income, while Italian branches (permanent establishments) of foreign companies are taxed only on their Italian-sourced income. A resident company is a company that has any of the following located in Italy for the majority of the tax year:

- Its registered office
- Its administrative office (similar to the “place of effective management” concept)
- Its principal activity
- In addition, a mine, an oil or gas well, a quarry or any other place of extraction of natural resources are also included in the term “permanent establishment.”

The IRES rate is fixed at 24.0 per cent., and it is applied to the IRES taxable income (the IRES rate was recently reduced from 27.5 per cent. to 24.0 per cent. from FY2017 onwards).

To determine taxable income, profits disclosed in the financial statements are adjusted for exempt profits, non-deductible expenses, special deductions and losses carried forward.

The following general principles govern the deduction of expenses:

- Expenses are deductible if and to the extent to which they relate to activities or assets that produce revenue or other receipts that are included in income.
- Expenses are deductible in the tax year to which they relate (accruals basis). Exceptions are provided for specific items, such as compensation due to directors, which is deductible in the tax year in which it is paid.
- Write-offs of the value of Italian and foreign shareholdings may not be deducted.

Starting from FY 2016, companies may deduct expenses incurred in transactions with enterprises and consultants resident in non EU tax havens, without any specific limitation.

Regional tax on productive activities

Resident and non-resident companies are subject to a regional tax on productive activities (the “**IRAP**”) on their Italian-sourced income. The taxable basis of such tax is represented by the net value of production, which is calculated by subtracting the cost of production from the value of production and applying certain adjustments provided by law.

IRAP is fixed at 3.9 per cent., but each Italian region may vary such rate by up to 1 basis points. Companies generating income in more than one region are required in the IRAP tax return to allocate their taxable base for IRAP purposes among the various regions and to pay the applicable tax to the local tax authorities.

Certain deductions are not allowed for IRAP purposes, such as the following:

- Certain extraordinary costs
- Credit losses
- Labour costs for short term contract employees
- Interest expenses

VAT

In Italy, value-added tax (VAT) rates are currently:

- Standard rate – 22 per cent. The standard rate applies to all supplies of goods or services, unless a specific provision allows a reduced rate or exemption.
- Reduced rate – 10 per cent. This rate is applicable to certain services and products, such as certain food products, water, gas, electricity, admission to cultural services and the use of sports installations.
- Reduced rate – 4 per cent. This rate is applicable to supplies of basic necessities and mass-market items, such as certain food products and pharmaceuticals.

For transactions relating to oil and gas activities, the standard rate of 22 per cent. is generally applicable, while a 10 per cent. rate is applicable to the following cases:

- Gas, methane gas and liquefied petroleum gas to be directly put into the pipelines network in order to be delivered or to be supplied to enterprises using it to produce electricity
- Crude oil, combustible oil and aromatic extracts used to generate, directly or indirectly, electricity, as long as the power generated is not below 1kW; crude oil, combustible oil (except for fluid combustible oil for heating) and filter sands remnants from the processing of lubricant oil, where it contains more than 45 per cent. in weight of oil product, to be used directly as combustible in boilers and kilns; combustible oil used to produce directly tractor-strength fuel with engines fixed in industrial, agricultural-industrial plants, laboratories or building yards; and combustible oil other than the special ones to be converted into gas to be put in the civic grid system
- Unrefined mineral oil arising from the primary distillation of raw natural oil or from the processing by plants that convert mineral oil into chemical products of a different nature, with a flash point lower than 55°C, where the distillate at 225°C is lower than 95 per cent. in volume and at 300°C is at least 90 per cent. in volume, to be converted to gas for delivery into the civic grid system

PART 3

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risks set out below in addition to all of the other information set out in this document before investing in Ordinary Shares. The investment offered in this document may not be suitable for all of its recipients. Potential investors are accordingly advised to consult an appropriately qualified professional adviser who specialises in advising on the acquisition of shares and other securities before making any investment decision. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect on the Company and the information set out below does not purport to be an exhaustive summary of the risks affecting the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and tax requirements. If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his or her investment.

Licencing and permitting delays

The Company, through its subsidiary NSI, has submitted its Application for the Sant'Alberto production licence, and has received preliminary approval. While the Company expects the full approval to be granted in the first half of 2017, there is a risk that the Ministry could take longer than this to grant the approval.

The Sant'Alberto production concession will be granted following a Ministry decree in agreement with the territorially interested Region at the end of a single administrative process. During this process, the Ministry obtains the result of the environment assessment on the production licence project as well as other opinions of the competent large area entity (former provinces), towns and the Superintendencies (the fine arts bureaus) and agreement from the region (so called intesa). The Ministry will call a meeting known as the services' conference in order to obtain the agreement of the region and the other necessary agreements. As soon as the services' conference ends the decree granting the production concession will be issued by the Ministry. There is a risk that the Ministry might delay the services' conference call or the obtaining of the needed opinions and this could result in a longer than anticipated period to grant the production concession. Further, there can be no assurance that the Ministry will grant the production concession at all.

Risks relating to the Company's activities in the oil and gas industry

There are numerous factors which may affect the success of the Company's business which are beyond its control including local, national and international economic, legal and political conditions. The Company's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome.

Use of proceeds of the Placing and Subscription

At present the Company intends to use the net proceeds of the Placing and Subscription over the next 12 months to develop near-term production online by completing a pipeline that connects the Bezzacca Field to the existing Vitalba gas plant that exists on the Cascina Castello Production Licence and

develop the Sant'Alberto Field. The very nature of the oil and gas industry in which the Company operates means that it will need to manage certain events which are outside of its control. For example, the stated use of proceeds and future work programme will be subject to the availability of drilling rigs and certain other associated long-lead items in the timeframes currently envisaged. Furthermore, the success or otherwise of the Company's exploration and drilling could result in it amending its future work programme, for example in the event that additional drilling is undertaken to further appraise a discovery. Any of the foregoing could adversely affect the profitability of the Group.

Risk relating to Controlling Shareholders

Immediately following Admission, Po Valley Energy will continue to own approximately 65.05 per cent. of the Enlarged Share Capital of the Company. As a result, Po Valley Energy will be able to exercise significant influence to pass or veto matters requiring Shareholder approval, including the future issues of any Ordinary Shares, the election of directors and fundamental changes of business, subject to its obligations under the Relationship and Lock-in Deed. This concentration of ownership may have the effect of delaying, deferring, deterring or preventing a change in control, depriving Shareholders of the opportunity to receive a premium for their Ordinary Shares as part of a sale of the Company, impending merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control. The concentration of ownership could also affect the market price and liquidity of the Ordinary Shares. The Company is a party to a relationship agreement with Po Valley Energy. The Relationship and Lock-in Deed is intended to allow the Company to operate its business independently from Po Valley Energy and ensure that commercial transactions and relationships with Po Valley Energy are conducted on an arm's length basis. However, the Relationship and Lock-in Deed may not contemplate all instances in which the interests of Po Valley Energy differ from those of other Shareholders and/or may be difficult to enforce. If Po Valley Energy were to seek to influence the Company's business in a manner that may not be in the interests of other Shareholders, the Company's business, results of operations, financial condition and prospects and the trading price of the Ordinary Shares could be adversely affected.

Prospective investments and growth strategy execution risks

The Group may seek to acquire additional licences in the future and there can be no assurance that such assets will be available at an acceptable price, or at all.

Whilst the Company is initially focused on the development of the Bezzecca Field and the Sant'Alberto Field, it may seek to further expand its operation and therefore may expend significant costs on, *inter alia*, conducting due diligence into potential investment opportunities in further businesses, assets or prospects/projects that may not be successfully completed or result in any acquisition being made. Such failure to complete or acquire, could have a material adverse effect on its business, operating results and financial condition.

Farm down of the Company's assets

In due course the Company may, subject to receipt of any necessary consents, farm down part of its licence interests to third parties, some of which may act as operator. Operating agreements with third party operators typically provide for a right of consultation or consent in relation to significant matters and generally impose standards and requirements in relation to the operator's activities. However, in the event that the Company does not act as operator in respect of certain of its licence interests, the Company will generally have limited control over the day-to-day management or operations of those assets and will therefore be dependent upon the third party operator. A third party operator's mismanagement of an asset may result in significant delays or materially increased costs to the Company. The Company's return on assets operated by others will therefore depend upon a number of factors that may be outside the Company's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices. Generally, a failure by any licence partner (whether the operator or otherwise) to fulfil its financial obligations may increase the Company's

exposure related to the licence in question. Any significant increase in costs as a consequence of joint and several liabilities may materially adversely affect the financial condition of the Company.

Dependence on key executives and personnel

The future performance of the Company will to a significant extent be dependent on its ability to retain the services and personal connections or contacts of key executives and to attract, recruit, motivate and retain other suitably skilled, qualified and industry experienced personnel to form a high calibre management team. Such key executives are expected to play an important role in the development and growth of the Company, in particular by maintaining good business relationships with regulatory and governmental departments and essential partners, contractors and suppliers.

There is a risk that the Company will struggle to recruit the key personnel required to run an exploration and appraisal programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and appraisal activities. Many of the Company's competitors are larger, have greater financial and technical resources, as well as staff and facilities, and have been operating in a market-based competitive economic environment for much longer than the Company. There can be no assurance that the Company will retain the services of any key executives, advisers or personnel who have entered, or will subject to Admission enter, into service agreements or letters of appointment with the Company. The loss of the services of any of the key executives, advisers or personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Company. In particular, the CEO of NSI is currently on maternity leave, and until further notice her role in the Group will be serving on the Board as a Non-Executive Director. However, this effect is mitigated by the appointment of Michael Masterman as Chief Executive for the Company. As Chief Executive, Michael brings considerable experience, as detailed in section 8 of Part 1 of this document.

The Company currently has no key-man insurance policy in place and, therefore, there is a risk that the unexpected departure or loss of a key individual could have a material adverse effect on the business, financial condition and results of operations of the Company, and there can be no assurance that the Company will be able to attract or retain a suitable replacement.

Labour and health & safety

Developing oil and gas resources and reserves into commercial production involves a high degree of risk. The Company's exploration operations are subject to all the risks common in its industry. These hazards and risks include encountering unusual or unexpected rock formations or geological pressures, geological uncertainties, seismic shifts, blowouts, oil spills, uncontrollable flows of oil, natural gas or well fluids, explosions, fires, improper installation or operation of equipment and equipment damage or failure. If any of these types of events were to occur, they could result in loss of production, environmental damage, injury to persons and loss of life. They could also result in significant delays to drilling programmes, a partial or total shutdown of operations, significant damage to equipment owned or used by the Company and claims for personal injury, wrongful death or other losses being brought against the Company. These events could result in the Company being required to take corrective measures, incurring significant civil liability claims, significant fines or penalties as well as criminal sanctions potentially being enforced against the Company and/or its officers. The Company may also be required to curtail or cease operations on the occurrence of such events. Were any of the above to materialise, they could have a material adverse effect on the Company's business, prospects, financial condition or results of operations. While the Company intends to implement certain policies and procedures to identify and mitigate such hazards, develop appropriate work plans and approvals for high-risk activities and prevent accidents from occurring, these procedures may not be sufficiently robust or followed to a sufficient extent by the Company's staff or third-party contractors to prevent accidents.

Risks associated with the need to maintain an effective system of internal controls

The Company's future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a

timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

Funding risks

The Group may in the future need to raise additional funds to implement its strategy. There can be no assurance that the required funding will be available at an acceptable price or at all. If the Company opts to raise finance through the issue of Ordinary Shares or other equity securities, Shareholders could suffer a dilution in their interest in the Company. Failure to raise the required funds could have a material adverse effect on the Group's business, operating results and financial condition.

Foreign subsidiaries

The Company conducts its operations through its subsidiary, NSI, which is located in Italy. Therefore, the success of the Group in the near term will be dependent on distributions from the Company to NSI in order that it may meet its obligations. The ability of NSI to make payments to the Company may be constrained by, among other things, the level of taxation, particularly in relation to corporate profits and withholding taxes, in Italy, and the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

Tax risks

The Company is subject to taxation and the application of such taxes may change over time due to changes in laws, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes any such changes may have a material adverse effect on the Company's financial condition and results of operations.

Market perception

Market perception of junior exploration and extraction companies, in particular those operating in energy markets, as well as all oil and gas companies in general, may change in a way which could impact adversely the value of investors' holdings and the ability of the Company to raise further funds through the issue of further Ordinary Shares or otherwise.

Insurance coverage and uninsured risks

While the Board will determine appropriate insurance coverage, it may elect not to have insurance for certain risks due to the high premium costs associated with insuring those risks or for other reasons, including an assessment in some cases that the risks are remote or that cover is not available. No assurance can be given that the Company will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it or the relevant operator obtains and proceeds of insurance will be adequate and available to cover any claims arising. The Company may become subject to liability for pollution, blow-outs or other hazards against which it has not insured or cannot insure, including those in respect of past activities for which it was not responsible. The Company will exercise due care in the conduct of its business and obtain insurance prior to commencing operations in accordance with industry standards to cover certain of these risks and hazards. However, insurance is subject to limitations on liability and, as a result, may not be sufficient to cover all of the Company's losses. The occurrence of a significant event against which the Company is not fully insured, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's business, financial condition, results of operations and prospects. Any indemnities the Company may receive from such parties may be difficult to enforce if such sub-contractors, operators or joint venture partners lack adequate resources. In the event that insurance coverage is not available or the Company's insurance is insufficient to fully cover any losses, claims and/or liabilities incurred, or indemnities are difficult to enforce, the Company's business and operations, financial results or financial position may be disrupted and adversely affected. Further, even where the Company is insured, its contractors may themselves be insufficiently insured, or uninsured, in respect of damage they may cause to the

Company's property or operations. In such cases, the Company may be required to incur additional costs to extend its cover to its contractors, from whom it may be unsuccessful in recovering such costs in full or at all. The payment by the Company's insurers of any insurance claims may result in increases in the premiums payable by the Company for its insurance cover and adversely affect the Company's financial performance. In the future, some or all of the Company's insurance coverage may become unavailable or prohibitively expensive.

Future litigation

From time to time, the Company may be subject, directly or indirectly, to litigation arising out of its operations. Damages claimed under such litigation may be material or may be indeterminate, and the outcome of such litigation may materially impact the Company's business, results of operations or financial condition. While the Company assesses the merits of each lawsuit and defends itself accordingly, it may be required to incur significant expenses or devote significant resources to defending itself against such litigation. In addition, the adverse publicity surrounding such claims may have a material adverse effect on the Company's business.

General exploration, development and production risks

Exploration, development and production risks

There can be no guarantee that the Group will discover any more hydrocarbons, or that hydrocarbons will be discovered in commercial quantities or developed to profitable production. Developing a hydrocarbon production field requires significant investment, generally over several years, to build the requisite operating facilities, drill production wells along with implementing advanced technologies for the extraction and exploitation of hydrocarbons with complex properties. The level of investment required to implement these technologies, normally under difficult conditions, can be subject to uncertainties about the amount of investment necessary, operating costs and other expenses. If costs incurred exceed budget, it could negatively affect the business, prospects, financial condition and results of operations of the Company. In addition, hydrocarbon deposits assessed by the Company may not ultimately contain economically recoverable volumes of resources and even if they do, delays in the construction and commissioning of production projects or other technical difficulties may result in any projected target dates for production being delayed or further capital expenditure being required. The operations and planned drilling activities of the Company and its partners may be disrupted, curtailed, delayed or cancelled by a variety of risks and hazards which are beyond the control of the Company, including unusual or unexpected geological formations, formation pressures, geotechnical and seismic factors, environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharge of toxic gases, industrial accidents, occupational and health hazards, technical failures, mechanical difficulties, equipment shortages, labour disputes, fires, power outages, compliance with governmental requirements and extended interruptions due to inclement or hazardous weather and ocean conditions, explosions, blow-outs, pipe failure and other acts of God. Any one of these risks and hazards could result in work stoppages, damage to, or destruction of, the Company's or its partners' facilities, personal injury or loss of life, severe damage to or destruction of property, environmental damage or pollution, clean-up responsibilities, regulatory investigation and penalties, business interruption, monetary losses and possible legal liability, any of which could have a material adverse impact on the business, operations and financial performance of the Company. Although precautions to minimise risk are taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks. In addition, not all of these risks are insurable.

Hydrocarbon resource and reserve estimates

No assurance can be given that hydrocarbon resources and reserves reported by the Company now or in the future are or will be present as estimated, will be recovered at the rates estimated or that they can be brought into profitable production. Hydrocarbon resource and reserve estimates may require revisions and/or changes (either up or down) based on actual production experience and in light of the prevailing market price of oil and gas. A decline in the market price for oil and gas could render reserves uneconomic to recover and may ultimately result in a reclassification of reserves as resources.

Unless stated otherwise, the hydrocarbon resources data contained in this document is taken from the Competent Person's Report and has been certified by the Competent Person unless stated otherwise. There are uncertainties inherent in estimating the quantity of resources and reserves and in projecting future rates of production, including factors beyond the Company's control. Estimating the amount of hydrocarbon resources and reserves is an interpretive process and results of drilling, testing and production subsequent to the date of an estimate may result in material revisions to original estimates. The hydrocarbon resources data contained in this document and in the Competent Person's Report are estimates only and should not be construed as representing exact quantities. The nature of resource quantification studies means that there can be no guarantee that estimates of quantities and quality of the resources disclosed will be available for extraction. Any resource estimates contained in this document are based on production data, prices, costs, ownership, geophysical, geological and engineering data, and other information assembled by the Company (which it may not necessarily have produced). The estimates may prove to be incorrect and potential investors should not place reliance on the forward looking statements contained in this document (including data included in the Competent Person's Report or taken from the Competent Person's Report and whether expressed to have been certified by the Competent Person or otherwise) concerning the Group's resources and reserves or production levels. If the assumptions upon which the estimates of the Group's hydrocarbon resources have been based prove to be incorrect, the Group (or the operator of an asset in which the Group has an interest) may be unable to recover and produce the estimated levels or quality of hydrocarbons set out in this document and the Group's business, prospects, financial condition or results of operations could be materially and adversely affected.

Capital expenditure estimates may not be accurate

Estimated capital expenditure requirements are estimates based on anticipated costs and are made on certain assumptions. Should the Group's capital expenditure requirements turn out to be higher than currently anticipated (for example, if there are unanticipated difficulties in drilling or connecting to infrastructure or if there are price rises) the Group or its partners may need to seek additional funds which it may not be able to secure on reasonable commercial terms to satisfy the increased capital expenditure requirements. If this happens, the Group's business, cash flow, financial condition and operations May be materially adversely affected.

Appraisal and development results may be unpredictable

Appraisal results for discoveries are also uncertain. Appraisal and development activities involving the drilling of wells across a field may be unpredictable and not result in the outcome planned, targeted or predicted, as only by extensive testing can the properties of the entire field be fully understood.

Production operations may produce unforeseen issues and drilling activities may not be successful

Any production operation involves risks common to the industry, including blowouts, oil spills, explosions, fires, equipment damage or failure, natural disasters, geological uncertainties, unusual or unexpected rock formations and abnormal geological pressures. In the event that any of these occur, environmental damage, injury to persons and loss of life, failure to produce oil or gas in commercial quantities or an inability to fully produce discovered reserves could result. Drilling activities may be unsuccessful and the actual costs incurred in drilling, operating wells and completing well workovers may exceed budget. There may be a requirement to curtail, delay or cancel any drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The occurrence of any of these events could have a material adverse effect on the Company's business, prospects, financial condition and operations.

Increase in drilling costs and the availability of drilling equipment

The oil and gas industry historically has experienced periods of rapid cost increases. Increases in the cost of exploration and development would affect the Company's ability to invest directly or indirectly in prospects and to purchase or hire equipment, supplies and services. In addition, the availability of drilling rigs and other equipment and services is affected by the level and location of drilling activity around the world. An increase in drilling operations outside or in the Group's intended area of operations may reduce the availability of equipment and services to the Group and to the companies with which it operates. The reduced availability of equipment and services may delay the Group's ability, directly or indirectly, to exploit reserves and adversely affect the Group's operations and profitability.

Interruptions in availability of exploration, production or supply infrastructure

The Group may suffer, indirectly, from delays or interruptions due to lack of availability of drilling rigs or construction of infrastructure, including pipelines, storage tanks and other facilities, which may adversely impact the operations and could lead to fines, penalties, criminal sanctions against the Group and/or its officers or its current or future licences or interests being terminated. Delays in obtaining licences, permissions and approvals required by the Group or its partners in the pursuance of its business objectives could likewise have a material adverse impact on the Group's business and the results of its operations.

Decommissioning costs may be greater than initially estimated

The Group, through its licence interests, expects to assume certain obligations in respect of the decommissioning of its wells, fields and related infrastructure. These liabilities are derived from legislative and regulatory requirements concerning the decommissioning of wells and production facilities and require the Group to make provisions for and/or underwrite the liabilities relating to such decommissioning. It is difficult to forecast accurately the costs that the Group will incur in satisfying its decommissioning obligations. When its decommissioning liabilities crystallise, the Group will be liable either on its own or jointly and severally liable for them with any other former or current partners in the field. In the event that it is jointly and severally liable with other partners and such partners default on their obligations, the Group will remain liable and its decommissioning liabilities could be magnified significantly through such default. Any significant increase in the actual or estimated decommissioning costs that the Group incurs may adversely affect its financial condition.

Risk of loss of oil and gas rights

The Group's activities are dependent upon the grant, renewal and maintenance of appropriate leases, licences, concessions, permits and regulatory consents which may not be granted or may be withdrawn or made subject to qualifications. A block or authorisation may be revoked by the relevant regulatory authority if, *inter alia*, an interest holder is no longer deemed to be financially credible or defaults on its block obligations.

Natural disasters

Any interest held by the Company is subject to the impacts of any natural disaster such as earthquakes, epidemics, fires and floods etc. No assurance can be given that the Group will not be affected by future natural disasters.

Environmental factors

The Company's operations are, and will be, subject to environmental regulation (with regular environmental impact assessments and evaluation of operations required before any permits are granted to it) in any regions in which the Company may operate. Environmental regulations may evolve in a manner that will require stricter standards and enforcement measures being implemented, increases in fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Compliance with environmental regulations could increase the Group's costs. Should the Group's operations not be able to comply with this mandate, financial penalties may be levied.

Environmental legislation can provide for restrictions and prohibitions on spills, releases of emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The Group's operations will be subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards of enforcement and in more stringent fines and penalties for noncompliance. Environmental assessments of existing and proposed projects may carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditure, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a materially adverse effect on the Company's future financial condition or results of operations.

Investment risks

Share price volatility and liquidity

Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies. Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might be the case for companies listed on the Official List. An investment in shares traded on AIM carries a higher risk than those listed on the Official List. The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. The share price of Ordinary Shares may be subject to substantial fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Company and its operations. These factors include, without limitation, (i) the performance of the Company and the overall stock market, (ii) large purchases or sales of Ordinary Shares by other investors, (iii) results of exploration, development and appraisal programmes and production operations, (iv) changes in analysts' recommendations and any failure by the Company to meet the expectations of the research analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions, and (vi) other factors which are outside of the control of the Company. Sales of substantial amounts of Ordinary Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 14 of Part 6 of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Company's net assets and the price of the Ordinary Shares may decline below the Placing and Subscription Price.

Investment risk

An investment in the Company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose the whole of their investment. While

various oil and gas investment opportunities are available, potential investors should consider the risks that pertain to oil and gas development projects in general.

Determination of Placing and Subscription Price

Placees and Subscribers will subscribe for the Ordinary Shares at the Placing and Subscription Price, which is a fixed price, prior to satisfaction of all conditions for the Ordinary Shares to be issued. The Placing and Subscription Price may not reflect the trading value of the Ordinary Shares when issued or, the actual value of the Ordinary Shares, the Company's potential earnings or results or any other recognized criteria of value.

Dilution

Shareholders not participating in future offerings may be diluted and pre-emptive rights may not be available to Shareholders, including, but not limited to Shareholders resident in jurisdictions with restrictions having the effect that they will not be granted subscription rights in connection with, or be able to subscribe for new shares in, such offerings. Statutory pre-emptive rights have been waived up to certain stated amounts as detailed in paragraph 5.4 of Part 6 of this document. The Company may in the future issue warrants and/or options to subscribe for new Ordinary Shares, including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options would result in dilution of the shareholdings of other investors.

Dividends

There can be no assurance as to the level of future dividends. Subject to compliance with the 2006 Act and the Company's Articles, the declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Directors, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements and availability of profits. A dividend may never be paid and at present, there is no intention to pay a dividend.

It should be noted that the risk factors listed above are not intended to be exhaustive and do not necessarily comprise all of the risks to which the Company is or may be exposed or all those associated with an investment in the Company. In particular, the Company's performance is likely to be affected by changes in market and/or economic conditions, political, judicial, and administrative factors and in legal, accounting, regulatory and tax requirements in the areas in which it operates and holds its major assets. There may be additional risks and uncertainties that the Directors do not currently consider to be material or of which they are currently unaware which may also have an adverse effect upon the Company.

If any of the risks referred to in this Part 3 crystallise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its Ordinary Shares could decline and investors may lose all or part of their investment.

Although the Directors will seek to minimise the impact of the risk factors listed above, investment in the Company should only be made by investors able to sustain a total loss of their investment.

PART 4
COMPETENT PERSON'S REPORT



CGG Services (UK) Limited

**COMPETENT PERSONS REPORT ON
THE SILLARO, BEZZECA, AND SANT'ALBERTO FIELDS, ITALY**

for

**Saffron Energy plc
Grant Thornton UK LLP
Turner Pope Investments (TPI) Ltd
Chapman Davis LLP**

CGG Services (UK) Limited Reference No: BP497

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DISCLAIMER AND CONDITIONS OF USAGE

Professional Qualifications

CGG Services (UK) Limited (CGG) is a geological and petroleum reservoir consultancy that provides a specialist service in field development and the assessment and valuation of upstream petroleum assets.

CGG has provided consultancy services to the oil and gas industry for over 50 years. The work for this report was carried out by CGG specialists having between five and 20 years of experience in the estimation, assessment and evaluation of hydrocarbon reserves.

Except for the provision of professional services provided on a fee basis and products on a license basis, CGG has no commercial arrangement or interest with Saffron Energy plc (Saffron) or the assets, which are the subject of the report or any other person or company involved in the interests.

Data and Valuation Basis

In estimating petroleum in place and recoverable, CGG have used the standard techniques of petroleum engineering. There is uncertainty inherent in the measurement and interpretation of basic geological and petroleum data. There is no guarantee that the ultimate volumes of petroleum in place or recovered from the field will fall within the ranges quoted in this report.

CGG have independently assessed the proposed development schemes and validated estimates of capital and operating costs, modifying these where CGG judges it appropriate. CGG have carried out economic modelling based on forecasts of costs and production. The capital and operating costs have been combined with production forecasts based on the reserves or resources at the P90 (Proved), P50 (Proved + Probable) and P10 (Proved + Probable + Possible) levels of confidence and the other economic assumptions outlined in this report in order to develop an economic assessment for these petroleum interests. CGG's valuations do not take into account any outstanding debt or accounting liabilities, nor future indirect corporate costs such as general and administrative costs.

CGG have valued the petroleum assets using the industry standard discounted cash flow technique. In estimating the future cash flows of the assets CGG have used extrapolated economic parameters based upon recent and current market trends. Estimates of these economic parameters, notably the future price of crude oil and natural gas, are uncertain and a range of values has been considered. There is no guarantee that the outturn economic parameters will be within the ranges considered.

In undertaking this valuation CGG have used data supplied by Saffron in the form of geoscience reports, seismic data, engineering reports and economics data. The supplied data has been supplemented by public domain regional information where necessary.

CGG has used the working interest percentages that Saffron will have in the Properties, as communicated by Saffron. CGG has not verified nor do CGG make any warrant as to Saffron's interest in the Properties.

Within this report, CGG makes no representation or warranty as to: (i) the amounts, quality or deliverability of reserves of oil, natural gas or other petroleum; (ii) any geological, geophysical, engineering, economic or other interpretations, forecasts or valuations; (iii) any forecast of expenditures, budgets or financial projections; (iv) any geological formation, drilling prospect or hydrocarbon reserve; (v) the state, condition or fitness for purpose of any of the physical assets, including but not limited to well, operations and facilities related to any oil and gas interests or (vi) any financial debt, liabilities or contingencies pertaining to the Saffron.

CGG affirm that from the as-of date of this report, 1st August 2016, to the date of issue of this report, 20th February 2017, that 1) there are no matters known to CGG that would require a change to this report, and 2) CGG is not aware of any matter in relation to this report that it believes should and may not yet have been brought to the attention of Saffron.

In order to conform to the AIM Guidance Note for Mining, Oil & Gas Companies (June 2009), CGG has compiled this CPR to conform with the guidelines and definitions of the Petroleum Resources Management Systems (2007) as published by the Society of Petroleum Engineers (SPE). Further details of these definitions are included in Appendix B of the CPR.

Conditions of Usage

The report was compiled during the period August/September 2016 with the effective cut-off date for inclusion of data being 30th September 2016. The effective date for valuation reporting is 1st August 2016. Should substantive new data or facts become available then the report should be updated to incorporate all recent data.

CGG has made every reasonable effort to ensure that this report has been prepared in accordance with generally accepted industry practices and based upon the data and information supplied by Saffron for whom, and for whose exclusive and confidential use (save for where such use is for the Purpose), this report is made. Any use made of the report shall be solely based on Saffron's own judgement and CGG shall not be liable or responsible for any consequential loss or damages arising out of the use of the report.

The copyright of this CPR document remains the property of CGG. It has been provided to Saffron for the purpose of Admission and its inclusion in the related AIM Admission Document and disclosure on Saffron's website in accordance with the AIM Rules (these together being the "Purpose"). CGG agrees to disclose the enclosed CPR to Saffron for the Purpose. The recipient should also note that this document is being provided on the express terms that, other than for the Purpose, it is not to be copied in part or as a whole, used or disclosed in any manner or by any means unless as authorised in writing by CGG. Notwithstanding these general conditions, CGG additionally agrees to the publication of the CPR document, in full, on Saffron's website in accordance with AIM rules.

The accuracy of this report, data, interpretations, opinions and conclusions contained within, represents the best judgement of CGG, subject to the limitations of the supplied data and time constraints of the project. In order to fully understand the nature of the information and conclusions contained within the report it is strongly recommended that it should be read in its entirety.

CGG Services (UK) Limited Reference No: BP497				
Rev	Date	Originator	Checked & Approved	Issue Purpose
00	17 th October 2016	Tim James	Andrew Webb	Draft Report
01	26 th October 2016	Tim James/Arthur Satterley/ P.Pongthunya	Andrew Webb	Draft Report
02	1 st February 2017	Peter Wright/Arthur Satterley/ P.Pongthunya	Andrew Webb	Final Report
03	20 th February 2017	Peter Wright/Arthur Satterley/ P.Pongthunya	Andrew Webb	Admission

Date	Originator	Checked & Approved
Signed:		

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EXECUTIVE SUMMARY

This Competent Persons Report (CPR) is an independent evaluation, prepared by CGG Services (UK) Ltd (CGG), on behalf of Saffron Energy plc (Saffron). The subject of the report are three gas fields operated by Saffron in the Po Valley, northern Italy. The three fields are known as Sillaro, Bezzacca and Sant'Alberto. Further details of each field and the associated licences are tabulated below.

The licences are held by Northsun Italia SpA (NSI), a wholly owned subsidiary of Saffron Energy plc. The work was conducted by CGG under a contract with Po Valley Energy Limited, who were formerly 100% owners of NSI.

Table 0.1 Summary Table of Licences / fields

Licence / field	Operator	Interest (%)	Status	Licence expiry date	Licence Area	Comments
Sillaro Production Licence	Northsun Italia S.p.A	100%	Production/ Development	29/10/2028	7.37km ²	One level on production
Cascina Castello Production Licence: Bezzacca Field	Northsun Italia S.p.A	90%	Development	22/10/2028	38.59km ²	Near production; production facilities work ongoing
Sant'Alberto Production Licence: Santa Maddalena Field*	Northsun Italia S.p.A	100%	Development	2037	19.51km ²	Near production; no production facilities

*preliminary awarded, final grant expected in 2-3 months

1.1 Location

The Po Valley runs south east from Milan to the Adriatic coast at Venice. Oil and gas has been produced in the area for over sixty years. The locations of the three fields under consideration are provided in the figure below. Bezzacca is in the upper left quadrant and Sillaro is in the lower right quadrant of the figure. Sant'Alberto is located to the north west of Sillaro.

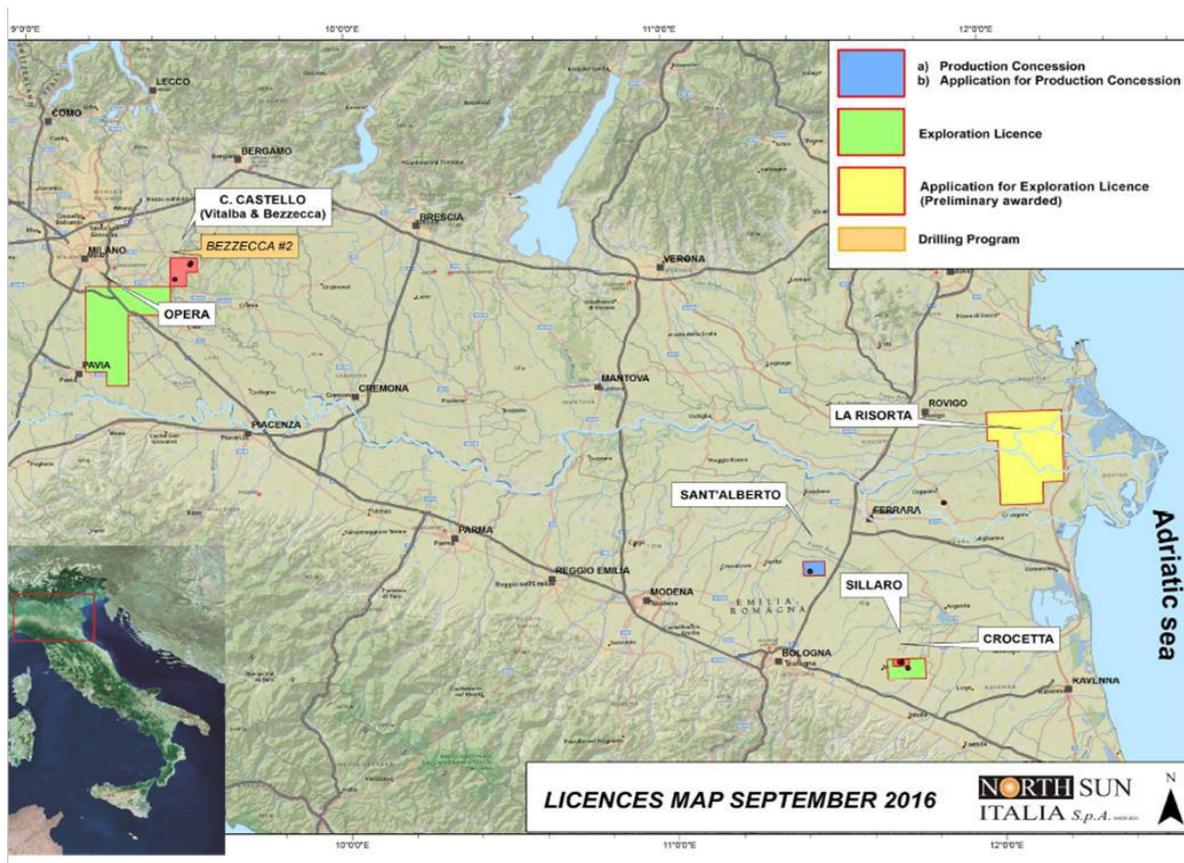


Figure 0.1 Map showing Saffron's Assets in the Po Valley

1.2 Data sources

In completing this evaluation, CGG have reviewed information and interpretations provided by Saffron, as well as utilising complementary information from the public domain. CGG have produced several previous CPRs on the three fields over the last four years, and as a result are familiar with the geology and production history of the fields. Much of the data supplied by Saffron for this report was in the form of updates to existing data previously provided to and reviewed by CGG. In conducting their evaluation, CGG have accepted the accuracy and completeness of information supplied by Saffron, and have not performed any new interpretations, simulations or studies.

1.3 Field descriptions

Sillaro is the new name given to the Pliocene gas sequences above the former Budrio Field, one of ENI's old assets. Gas was originally discovered in April 1955 with the drilling of well Budrio-2. The field was abandoned by ENI in 1982. Saffron subsequently acquired the licence and in 2010 successfully put on-stream a series of undrained sands by means of well Sillaro-1dir and Sillaro-2dir. Two of these sands (C1+C2) stopped producing and in 2016 two unsuccessful attempts were made in both wells to put C1 on production. At the current time

only the C0 sand is producing from Sillaro-2dir. The current development plan envisages perforating two further levels (D+E0) in Sillaro-2dir, and drilling a new side-track Sillaro-3dir from Sillaro-1dir. This side-track will potentially permit the future draining of the C1 and B1 levels, and the Miocene Medium and Deep zones. The C1 and B1 levels have been classified as contingent resources until testing can demonstrate commercial production.

Bezzecca (formerly the Pandino field) was discovered by ENI in 1955. Production started in 1956 and ceased in January 1964. In total thirteen wells were drilled into the structure. Saffron later acquired the licence, and drilled a new well Bezzecca-1 in March 2009, which tested gas. As at 1st August 2016, Saffron is currently working on surface facilities in order to bring the Bezzecca-1 well on production. This includes the installation of a 7 km pipeline to existing processing facilities at the Castello field. Further phases will involve the drilling of Bezzecca-2 and Bezzecca-3 development wells. Three of the sand levels have been classified as contingent resources. In order for them to be reclassified as reserves, it will be necessary to demonstrate that they are commercially producible.

Sant'Alberto, is the name given to a licence application by Saffron to the Italian authorities, for the redevelopment of the old field S.Pietro gas field in Casale. The old field is incompletely drained with updip gas remaining in one of the fault blocks. In 2004 the former operator, Edison, drilled a new well in this block, which encountered gas. All other historical wells are plugged and abandoned. 1P and 2P reserves are based on future production through this existing well, with 3P reserves assuming that an additional well is drilled.

1.4 Reserves and resources

A summary of Reserves and Resources for each field, both gross and net attributable to Saffron, in accordance with the SPE's PRMS guidelines (2007) are shown in the tables below. All figures are from an effective date of 1st August 2016.

Table 0.2 Summary of Gas Reserves by asset (MMm³)

Field	Gross			Net attributable		
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible
Sillaro	1.0	63.3	76.8	1.0	63.3	76.8
Bezzecca	78.9	125.6	172.6	71.0	113.0	155.3
Sant' Alberto	46.8	56.5	78.7	46.8	56.5	78.7

Table 0.3 Summary of Gas Reserves by field (Bscf)

Field	Gross			Net attributable		
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible
Sillaro	0.04	2.2	2.7	0.04	2.2	2.7
Bezzecca	2.8	4.4	6.1	2.5	4.0	5.5
Sant' Alberto	1.7	2.0	2.8	1.7	2.0	2.8

Table 0.4 Summary of Gas Contingent Resource by field (MMm³)

Field	Gross			Net attributable		
	1C	2C	3C	1C	2C	3C
Sillaro	16.2	31.3	42.7	16.2	31.3	42.7
Bezzecca	28.4	44.5	60.6	25.6	40.1	54.5
Sant' Alberto	-	-	-	-	-	-

Table 0.5 Summary of Gas Contingent Resource by field (Bscf)

Field	Gross			Net attributable		
	1C	2C	3C	1C	2C	3C
Sillaro	0.6	1.1	1.5	0.6	1.1	1.5
Bezzecca	1.0	1.6	2.1	0.9	1.4	1.9
Sant' Alberto	-	-	-	-	-	-

1.5 NPVs

The Net Present Values (NPVs) of the net cash flows associated with the development and production of the 1P, 2P and 3P reserves for each asset are presented in the tables below for base, low and high gas price assumptions. NPVs for the contingent resources have not been produced.

Table 0.6 Reserves Net Present Value at Base Price

Licence	Field	NPV ₁₀ € MM		
		1P	2P	3P
Sillaro	Sillaro	-	2.8	4.2
Cascina San Pietro	Bezzecca	0.7	4.2	6.9
San Vincenzo	Sant' Alberto	2.1	2.8	3.0

It should be noted that the above NPVs do not include any risk factors to account for the fact that planned developments may not proceed due to commercial or other reasons.

2 INTRODUCTION

This independent Competent Person's Report (CPR) was prepared by CGG at the request of Saffron Energy plc (Saffron). The report evaluates three producing or near production gas fields in the Po Valley in northern Italy, owned and operated by Saffron.

The licences are held by Northsun Italia SpA (NSI), a wholly owned subsidiary of Saffron Energy plc. The work was conducted by CGG under a contract with Po Valley Energy Limited, who were formerly 100% owners of NSI.

Further details of each field and the associated licences are tabulated below.

Table 2.1 Summary Table of Licences/ fields

Licence field	Operator	Interest (%)	Status	Licence expiry date	Licence Area	Comments
Sillaro Production Licence	Northsun Italia S.p.A	100%	Production/ Development	29/10/2028	7.37km ²	One level on production
Cascina Castello Production Licence: Bezzacca Field	Northsun Italia S.p.A	90%	Development	22/10/2028	38.59km ²	Near production; production facilities work ongoing
Sant'Alberto Production Licence: Santa Maddalena Field*	Northsun Italia S.p.A	100%	Development	2037	19.51km ²	Near production; no production facilities

*preliminary awarded, final grant expected in 2-3 months

The report contains descriptions of the assets, and evaluates the range of gas volumes that could be produced commercially from the assets, as well as calculating the economic value in terms of NPV of the associated net cash flows.

2.1 Sources of Information

In completing this evaluation, CGG have reviewed information and interpretations provided by Saffron, as well as utilising complementary information from the public domain.

CGG have drafted the following CPRs and letters over the last four years on the assets, and as a result are familiar with the geology and production history of the fields. This previous work has been drawn upon and included where appropriate in this report.

- December 2012 – CPR (Sillaro, Sant'Alberto)
- December 2013 – CPR (Sillaro, Sant'Alberto, Bezzecca)
- December 2014 – CPR (Sillaro, Bezzecca)

Much of the data supplied by Saffron for this report was in the form of updates to existing data previously provided to and reviewed by CGG.

Data utilised by CGG in the preparation of this CPR included:-

- Location maps
- Geological and reservoir reports
- Well logs of drilled wells
- Reservoir simulation studies
- Seismic workstation projects and associated interpretations
- Historical production and pressure data
- AFÉ's and budgets
- Fiscal terms and gas sales contracts

In conducting their evaluation, CGG have accepted the accuracy and completeness of information supplied by Saffron, and have not performed any new interpretations, simulations or studies.

CGG also visited the Bezzecca, Vitalba, Sillaro and Sant'Alberto sites, and found that all of the well site equipment and processing plant was in good general condition and had the appearance of being well maintained.

The work on the new Bezzecca to Vitalba pipeline was found to be well advanced, and had the appearance of being performed to a good standard. Based on observations made during the visit, it was considered that barring unforeseen circumstances, the currently idle Vitalba plant could be re-commissioned on time to handle first gas from Bezzecca. No issues were identified either to suggest that Saffron's plan to commence operation of the Bezzecca well during January 2017 was not feasible. CGG's findings in relation to Bezzecca were confirmed in a letter dated November 15th 2016 from Assistenza Produzione Energia Srl, an independent Italian engineering consultant.

2.2 Evaluation methodology

In estimating Saffron's asset values, CGG has used the standard techniques of petroleum engineering and geological estimation to develop the technical sections of this CPR. CGG has independently constructed development profiles, and validated estimates of capital and operating costs provided by Saffron. CGG has carried out economic modelling based on these forecasts of costs and production.

CGG has valued the petroleum assets using the industry standard discounted cash flow technique. In estimating the future cash flows of the assets CGG has extrapolated economic parameters based upon recent and current market trends. Estimates of these economic parameters (notably the future price of gas) are uncertain, and low and high price sensitivities derived from the base case have been considered. There is no guarantee that the outturn economic parameters will be within the ranges considered.

2.3 Principal contributors

Mr Andrew Webb has supervised the preparation of this CPR. He is the Manager of the Petroleum Reservoir & Economics Group at CGG, having joined the company as Economics Manager in 2006. He graduated with a degree in Chemical Engineering and now has over 27 years' experience in the upstream oil and gas industry. He has worked predominantly for US independent companies, being involved with projects in Europe and North Africa. He has extensive experience in evaluating acquisition and disposals of asset packages across the world. He has also been responsible for the booking and audit of reserves both in oil and gas companies, but also as an external auditor. He is a member of the Society of Petroleum Engineers and an associate of the Institute of Chemical Engineers.

Other CGG employees and consultants involved technically in the drafting of this CPR have between five and 20 years of experience in the estimation, assessment and evaluation of hydrocarbon reserves.

Dr. Arthur Satterley

Has a BSc 1st Class in Geology, University College of Wales and a PhD from the University of Birmingham on Upper Triassic reef limestones and a post-doctoral research experience on platform carbonate margins. He has 20 years' experience of petroleum geological evaluations and resource assessments for both oil and gas fields throughout the exploration and development life cycle. He has experience of carbonate and clastic reservoirs in most major petroleum provinces including onshore northern and southern Italy.

Potcharaporn Pongthunya

Has a BEng in Petroleum Engineering from Chulalongkorn University (Thailand), an MSc in Petroleum Engineering from Texas A&M University (USA) and a PhD in Petroleum Engineering from Imperial College London (UK). She has 14 years' work experience in the upstream oil and gas industry, and over 5 years' experience of reserves and resources estimation for a variety of field types. Her career has included working for operating and consulting companies in both production and reservoir engineering roles in the Far East, North America and Europe. She is a member of the Society of Petroleum Engineers.

Tim James

Has a BSc in Physics from Keele University and has over 20 years' experience of economic evaluations for international oil and gas upstream assets including licence rounds, exploration prospects, development projects and producing assets. His career has included working for both operating and consulting companies, and has covered a variety of asset types both onshore and offshore. He also regularly delivers training courses on petroleum economics and risk analysis around the world. He is a member of the Society of Petroleum Engineers, and an associate member of the Chartered Institute of Management Accountants (CIMA).

3 RESERVE AND RESOURCE DESCRIPTION

The fields that are the subject of this report are located in the Po Valley onshore northern Italy. The Po Valley runs south east from Milan to the Adriatic coast at Venice. Oil and gas has been produced in the area for over sixty years.

The locations of the three fields under consideration are provided in the figure below. Bezzecca is in the upper left quadrant and Sillaro is in the lower right quadrant of the figure. Sant’Alberto is located to the north west of Sillaro.

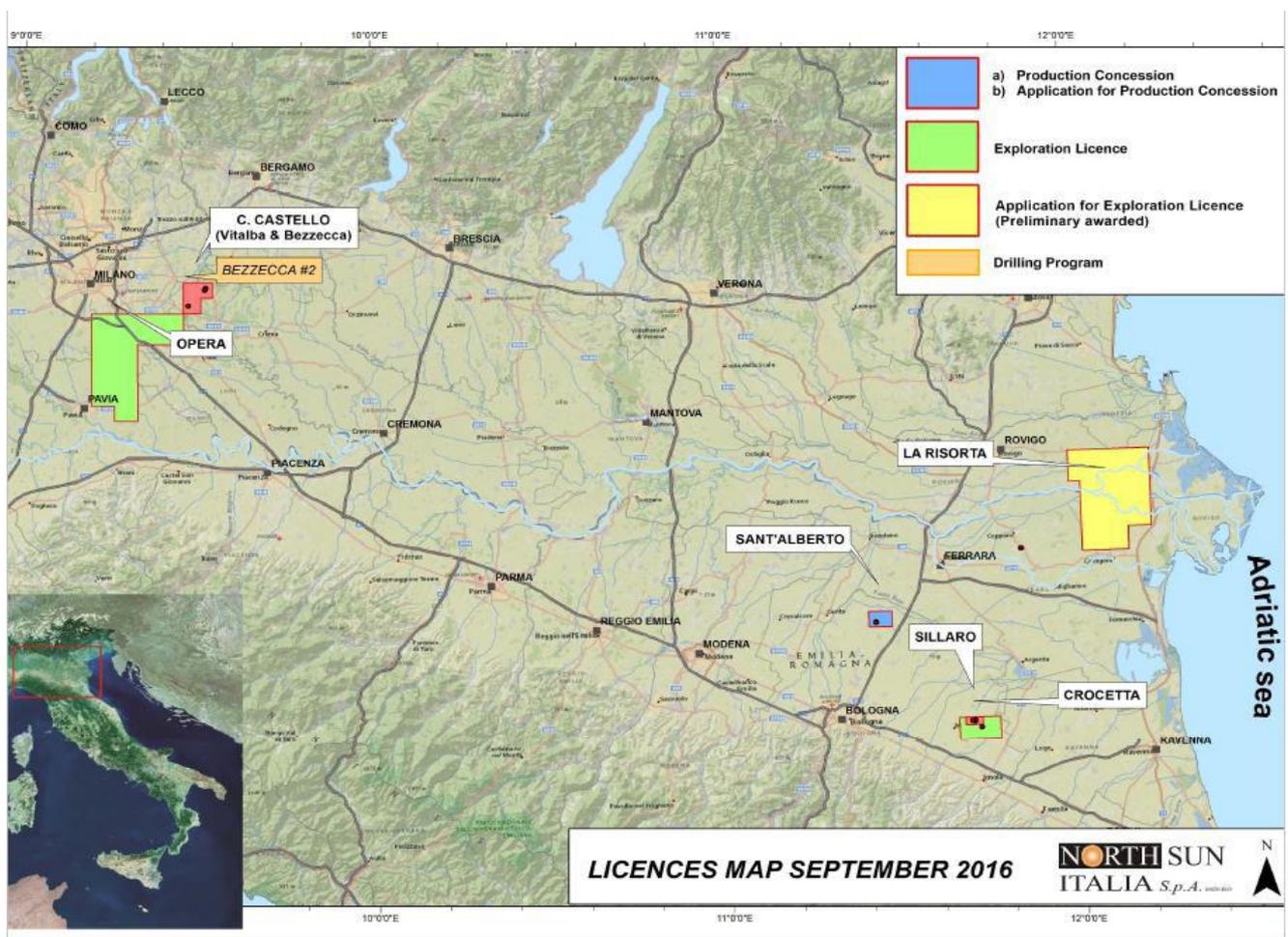


Figure 3.1 Map showing Saffron’s Assets in the Po Valley

3.1 Regional Context

The Po Basin is a major hydrocarbon province which was estimated by the US Geological Survey to have approximately 16 TCF of ultimately recoverable gas (Lindquist, USGS, 1999, on-line review paper). The basin occurs on the margins of the Alpine mountain chain to the North and the Apennine chain to the South. The basin opens into the Adriatic Sea to the East. Compression associated with the building of these mountain belts created a large deep basin (or “foredeep”) into which large thicknesses of sediment were shed from the surrounding uplands. As the basin deepened, turbidite sands were created and the high sediment supply began to fill the basin. Many of these turbidite sands are now gas-bearing, including long-established reservoirs discovered and developed by ENI, as well as thin-bedded reservoirs that are becoming new targets at the present time. Pliocene reservoirs include marine sands of significant lateral extent, which are folded over faulted structures that were formed during the compressional phases. At least 6km of Pliocene sediments were deposited in the foredeep, and as this was filled, the Po River drainage system became established, depositing marine sands in a delta-front environment. These may be overlain by fluvial sands as subsidence slowed and the basin filled.

The source of the gas is the Miocene and Pliocene shales that are interbedded with the turbidites and other sediments; the gas is predominantly biogenic rather than associated with deep burial of the shales. Biogenic gas may be generated at shallower depths than is required for the generation of gas by burial, and is related to the activity of bacteria acting on organic matter buried with the shales. However, the deepest known bacterial gas generation is recorded in the Po Basin at a depth of 4500 metres. As such, the process can generate large gas volumes throughout a basin, and the source may continue to be active at the present time. These aspects have led directly to the hydrocarbon richness of the Po Basin. Many structures and many reservoirs have proven to be gas-bearing, which explains the 263 developed fields in the Po Basin. Much potential for new discoveries remains, as do many opportunities for field re-development (missed pays and remaining gas in old fields).

The assets under consideration here include Miocene and Pliocene reservoir sands, stacked vertically, and including both thick, good quality gas sands and thin-bedded gas reservoirs. Reservoir sands are interbedded with shaley and marly fine-grained sediments. In many cases, the sands are pressure isolated from each other and may be drained in succession according to well designs and completion strategies employed.

3.2 Sillaro Production Licence – Sillaro Field

3.2.1 Geology and Geophysics

The Sillaro gas field is located in the Emilia Romagna region, east of Bologna, in northern Italy. Sillaro is the new name given to the Pliocene gas sequences above the former Budrio Field (Miocene production), one of ENI’s old assets. Gas was discovered in April 1955 with the drilling of well Budrio-2. The field was abandoned in 1982.

Saffron identified an undrained series of sands and has successfully put these on-stream by means of well Sillaro-1dir. Well logs confirm the clear presence of gas bearing sands and each of three production tests flowed at peak gas rates in excess of 100,000 m³/d.

The Sillaro Field consists of seven vertically stacked, gas-charged Pliocene sands above the Top Miocene reflector of the Budrio Field. Depth structure maps at Top PL2-A, B1, C0, C1, C2, C3 and E1 reservoirs suggest four-way dip closed traps up to 0.9 sq. km in size (Figure 3.2).

As shown on Figure 3.2, the available 2D seismic lines do not provide adequate coverage of the structure. However, the depths of the different reservoir zones are known from the old Budrio wells in addition to the Sillaro wells. Regional knowledge supports the definition of a simple closure as presented in Figure 3.2 but there is a significant level of uncertainty regarding Gross Rock Volume (GRV) at Sillaro. The lack of high resolution seismic data over the asset is a serious limitation on the understanding of reservoir connectivity field-wide.

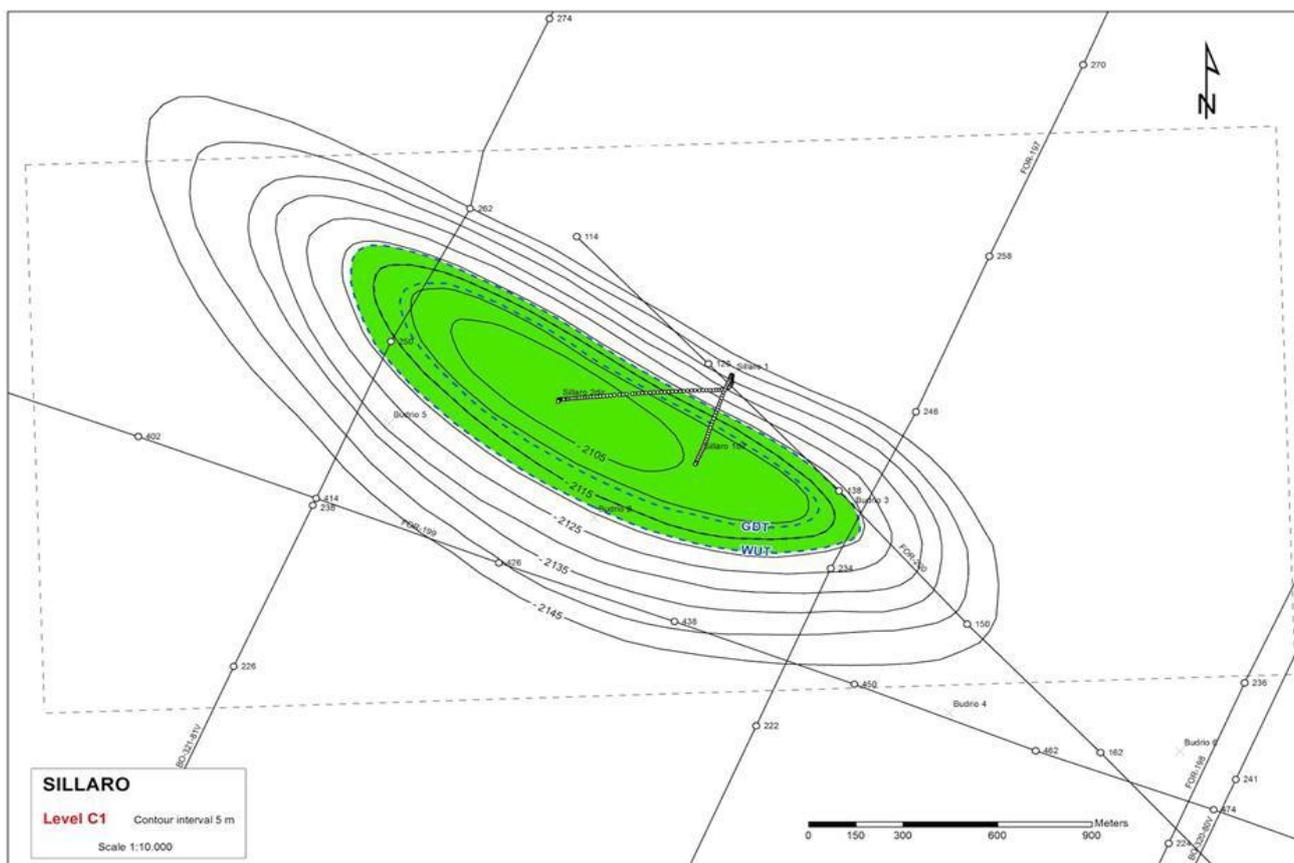


Figure 3.2 Example Depth Structure Map at Top Pliocene Level C1, Sillaro Field

The underlying Miocene has sandy reservoir formations, which are rather silty and thin-bedded. A modern log suite is not available over the section. Permeability of the target Miocene reservoir ranges from much less than 0.1mD to a few millidarcies. The old logs include SP (Spontaneous Potential), sonic and resistivity only, so identification of reservoir beds is problematic.

Mapping and petrophysical analysis provided the following in-place estimates for the Miocene reservoirs of Sillaro (Table 3.1):

Table 3.1 Estimated Gas in Place, Miocene Reservoirs, Sillaro Field

Reservoir Horizon	Gross Bulk Volume (GBV) - MSm ³	Original Gas In-place (OGIP) - MSm ³
Mid Miocene	34.51	145.7
Deep Miocene	3.44	33.6

The above Gas Initially In-place (GIIP) values appear reasonable considering the available dataset for the evaluation. However, they are subject to significant uncertainty arising from:

- poor seismic coverage (Gross Rock Volume definition and ability to assess compartmentalization risk)
- limited wireline log data availability (limits determination of reservoir properties)

3.2.2 Reservoir Engineering

3.2.2.1 Historical and Current Production – Sillaro

The development of the Sillaro gas field was begun by Saffron in 2005, when the well Sillaro-1-Dir was drilled (the well Sillaro-1 was dry). Three hydraulically separated gas bearing levels: A, B1, and C1+C2 were successfully tested and the well was completed with a single selective string. The Sillaro-2 Dir well was drilled in 2009. This well has a dual selective completion (Short and Long strings) and has successfully tested five different gas levels (namely, A, C0, C2+C3 and E1). All these different gas bearing levels are hydraulically separated and there is no pressure communication between them. Figure 3.3 is a schematic of the reservoir levels and also a cross sectional diagram of the well completions. The C0 level is the only currently producing layer in the Sillaro field as shown in the green box. The suspended production levels are shown in the grey boxes.

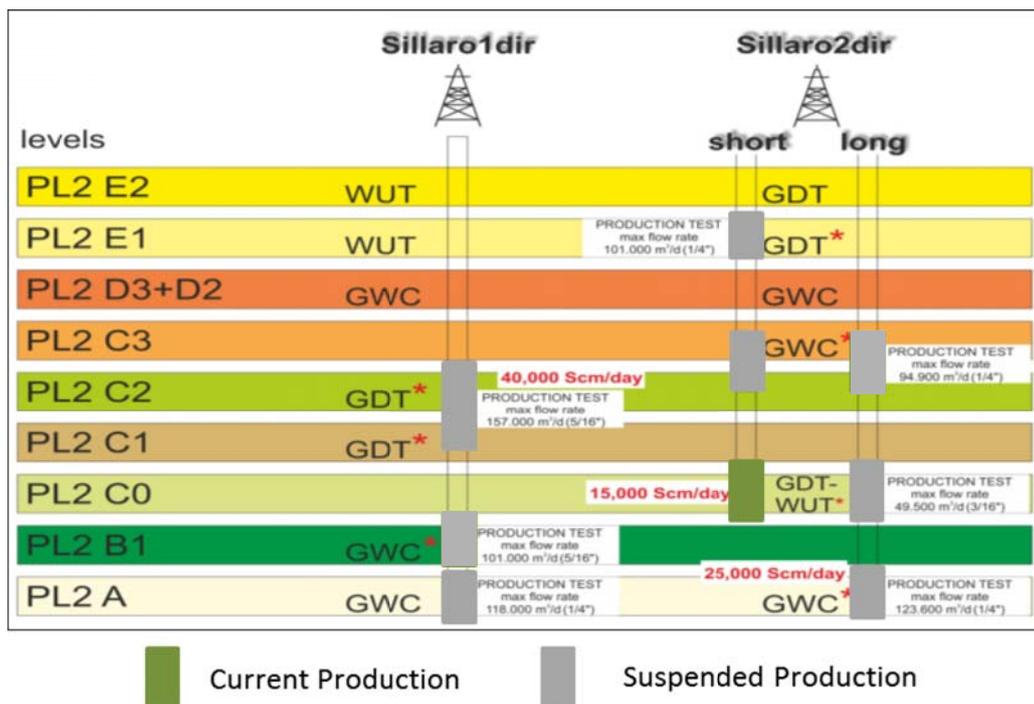


Figure 3.3 Sillaro Field Producing Levels and Well Completions (as of 31st July 2016)

Key:- WUT = Water Up To, GWC = Gas Water Contact, GDT = Gas Down To

Production from the Sillaro field started in May 2010 from 3 different reservoir levels; the field is currently producing from C0 in Sillaro-2dir (Short String). The Sillaro production data have been provided as at 31st July 2016. The total production of the Sillaro field as of 31st July 2016 is 117.02 MMm³ (4.13 Bscf). The current producing level and the production from the suspended levels are tabulated in Table 3.2. Figure 3.4 is the daily gas production of each level in Sillaro.

Level E1 was producing from Sillaro-2Dir (Short String), and was suspended in August 2011 due to excessive water breakthrough.

C2+C3 levels were put on production in July 2013 via Sillaro-2dir (Short String). The C2+C3 levels were switched to produce via Sillaro-2dir (Long String) in November 2014 before it was suspended due to water load up. Attempts were made in 2016 to bring the levels back online but were unsuccessful.

C1+C2 levels started production from Sillaro-1Dir in June 2010 producing at fairly good gas production rates until January 2012, when the flow was stopped due to the facilities being unable to handle associated condensate. The facilities have been upgraded to resolve the issue, and the level C1+C2 resumed production in July 2013. In 2014, there was a significant increase of the water production in Sillaro-1dir from the level C1+C2. Consequently, the C1+C2 levels were suspended in April 2014. During 2015-2016, Saffron has attempted but failed to shut off water from C2 and to bring C1 online in Sillaro-1Dir and Sillaro-2Dir (Long String). The operations have blocked future access to the B1 and A levels.

Level C0 is thin bedded and below log resolution. Notwithstanding the fact that it cannot be defined by logs, as at 31st July 2016 level C0 has produced 13.13 MMm³ of gas. This demonstrates additional potential in thin bedded zones. Level C0 was the only level on production as of 31st July 2016. Decline curve analysis has been performed to estimate remaining reserves.

Level B1 was put on production via Sillaro-1Dir in 2012. B1 was shut-in during 2013-2014 while the Sillaro-1Dir was producing from C1+C2. B1 was online again in June 2014. There was a significant increase in water production in 2015. B1 was shut-in in November 2015 for intervention on C1+C2 level in Sillaro-1Dir. The interventions in both Sillaro-1Dir and Sillaro-2Dir (Long String) prevent future access to level B1 from the existing wells.

Level A has been produced from Sillaro-2Dir (Long String) between 2010 and 2014 before watering-out. The interventions in both Sillaro-1Dir and Sillaro-2Dir (Long String) prevent future access to level A from the existing wells.

Studies of historic production and pressure have judged that there had been a misallocation of production between C1, C2, and A levels due to leakage. In addition level C1 has produced 1 MMScm of gas when comingled with C2 (i.e. at 31st July 2016, level C1, C2, and A have produced 1 MMScm, 51 MMScm, and 16 MMScm, respectively). Therefore, there is the potential of undrained gas volumes in C1 hence the intervention attempts during 2015-2016.

Level E1 has produced 5.91 MMScm of gas as at 31st July 2016 and has been suspended due to water.

Table 3.2 Sillaro Production Levels and Cumulative Production as of 31st July 2016

Level	Status	Well(String)	Cumulative Production (as of 31 st July 2016)
E1	Suspended due to high water	Sillaro-2-Dir(SS)	5.91 MMm ³ (0.21 Bscf)
C2+C3	Suspended due to high water	Sillaro-2Dir(SS)	11.90 MMm ³ (0.42 Bscf)
C2+C3	Suspended due to high water	Sillaro-2Dir(LS)	0.28 MMm ³ (0.01 Bscf)
C1+C2	Suspended due to high water	Sillaro-1Dir	30.91 MMm ³ (1.09 Bscf)
C0	Current producing level	Sillaro-2Dir(SS)	13.13 MMm ³ (0.46 Bscf)
B1	Suspended due to high water/inaccessible	Sillaro-1Dir	16.44 MMm ³ (0.58 Bscf)
A	Suspended due to high water	Sillaro-2Dir(LS)	38.44 MMm ³ (1.36 Bscf)

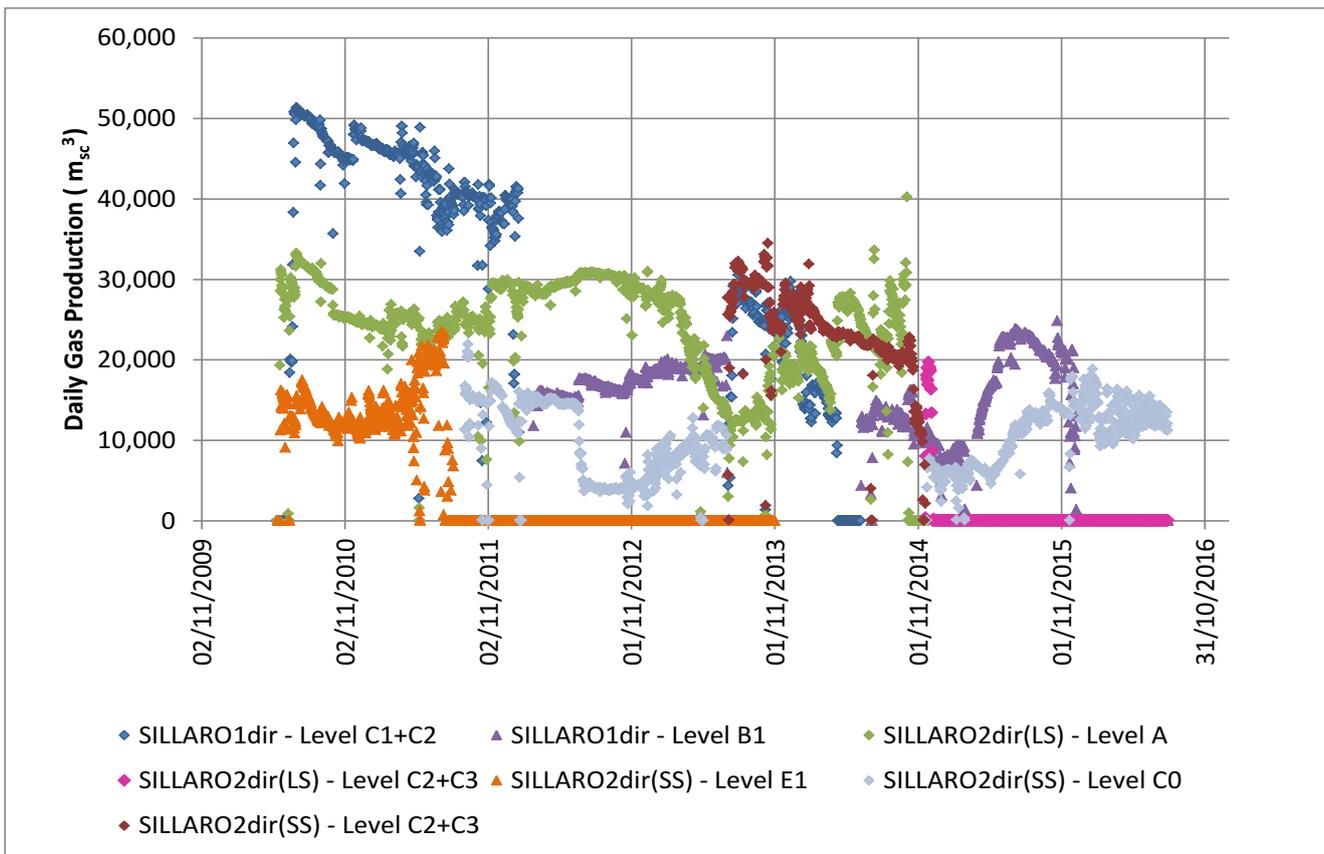


Figure 3.4 Daily Gas Production of Each Level in Sillaro

3.2.2.2 Reserves and Resources – Sillaro

CGG has classified petroleum resources using the SPE Petroleum Resource Management System (2007). The reserves and contingent resources reported are as at 1st August 2016. Table 3.3 summarises the remaining reserves and contingent resources in the Sillaro field .

Table 3.3 Sillaro Remaining Reserves and Contingent Resources by Layer as of 1st August 2016

Remaining reserves and resources as of 1 st August 2016 (100%)						
Layer	Reserves, MMm ³ ⁽¹⁾			Contingent Resources, MMm ³ ⁽¹⁾		
	1P	2P	3P	1C	2C	3C
E1						
E0 ⁽²⁾	-	-	2.9			
D ⁽²⁾	-	-	7.9			
C2						
C1 ⁽³⁾				16.2	27.5	38.8
C0	1.0	2.1	4.8			
B1 ⁽³⁾				-	3.8	3.8
A						
Miocene Medium ⁽³⁾	-	47.8	47.8			
Miocene Deep ⁽³⁾	-	13.4	13.4			
Total ⁽⁴⁾	1.0	63.3	76.7	16.2	31.3	42.7

(1) MMm3 is Million standard cubic meters.

(2) D and E0 layers are assumed to be perforated in Sillaro-2Dir before abandonment.

(3) C1, B1, Miocene Medium, and Miocene Deep are assumed to be recovered from Sillaro-3Dir (side-tracked from Sillaro-1) well drilled in Q3 2017.

(4) Total remaining volumes are arithmetically summation of all layers and may not add due to rounding error.

The C0 reserves have been assessed using decline curves. The D and E0 levels are assumed to be recovered by additional perforations with production starting in January 2019 and January 2021 respectively, before abandonment of Sillaro-2Dir. There are no remaining reserves in the E1, C2, and A levels.

The additional reserves and contingent resources are estimated based on the current development plan of drilling Sillaro-3Dir by sidetracking from Sillaro-1. Saffron has informed CGG that the Sillaro-3Dir development plan has been approved and funded. The Miocene sequence is split into Miocene Medium and Miocene Deep. The Miocene Medium was previously produced in the 1960s as the Fantuzza field from Budrio-2 and Budrio-3Dir wells. Total gas production was 10.6 MMScm, but the historical daily production has not been made available for review. The 2P reserves of Miocene Medium and Miocene Deep are estimated by applying 40% recovery factor to the gas-initially-in-place. The C1 and B1 levels have been classified as contingent resources. In order for C1 and B1 to be re-classified as reserves, the Sillaro-3Dir must be drilled, logged, and tested. It should be noted that disappointing evaluation results for Sillaro-3Dir could lead to reclassification/reduction of resources.

The production profiles for 1P, 2P and 3P reserves are graphically shown in Figure 3.5. Table 3.4 shows the annual production and cumulative production.

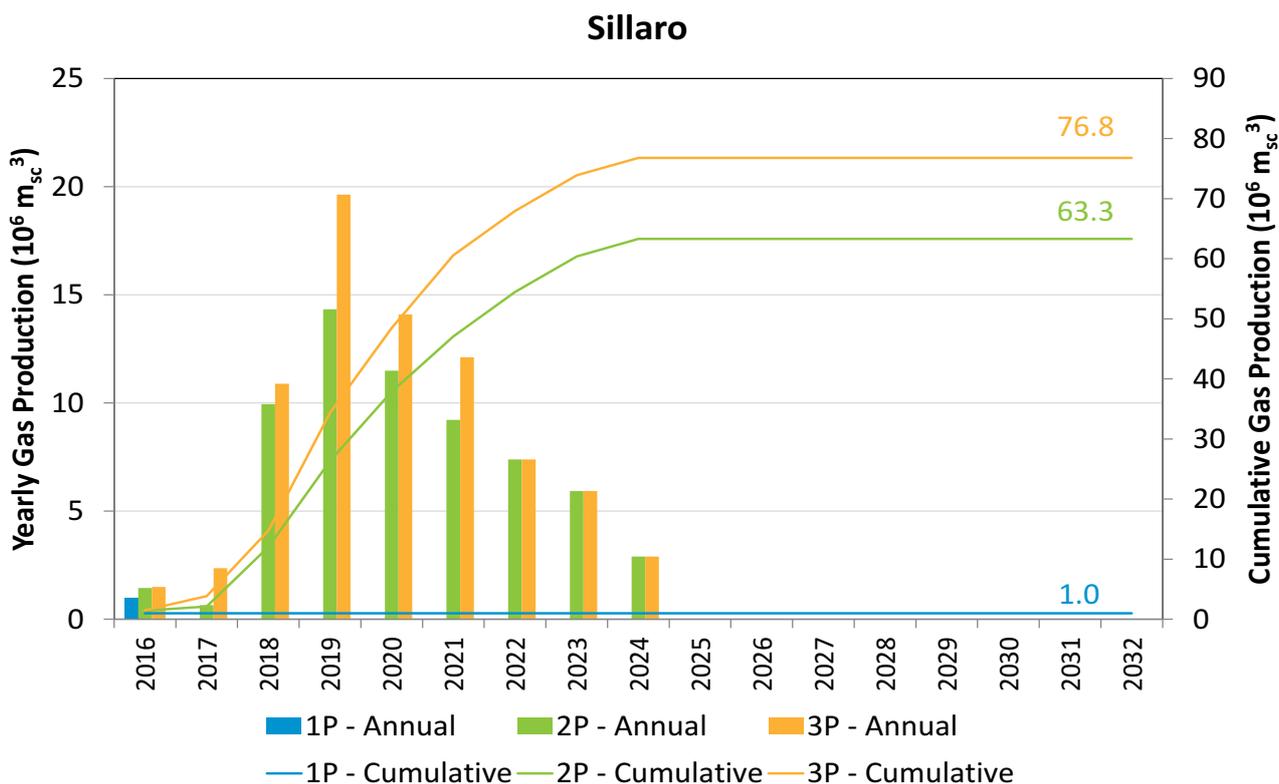


Figure 3.5 Technical Production Profiles of Sillaro 1P, 2P and 3P (before Economic cut-off)

Table 3.4 Annual Production and Cumulative Production of Sillaro (before Economic cut-off)

Year	1P		2P		3P	
	Annual Production (MMm ³)	Cumulative Production (MMm ³)	Annual Production (MMm ³)	Cumulative Production (MMm ³)	Annual Production (MMm ³)	Cumulative Production (MMm ³)
2016	1.00	1.00	1.44	1.44	1.49	1.49
2017	0.00	1.00	0.66	2.10	2.36	3.86
2018	0.00	1.00	9.94	12.04	10.88	14.74
2019	0.00	1.00	14.33	26.37	19.63	34.38
2020	0.00	1.00	11.49	37.87	14.09	48.47
2021	0.00	1.00	9.22	47.08	12.12	60.58
2022	0.00	1.00	7.39	54.47	7.39	67.97
2023	0.00	1.00	5.93	60.40	5.93	73.90
2024	0.00	1.00	2.90	63.30	2.90	76.80

3.3 Cascina San Pietro License – Bezzecca Field

3.3.1 Geology and Geophysics

CGG has reviewed the methods, interpretations and results of new geological interpretations carried out by Saffron for the Bezzecca Field. During the last 12 months, new structural maps have been generated from re-processed 2D seismic lines. Saffron’s seismic project and interpretation has been reviewed on workstations by CGG.

The distribution of 2D lines over the area of interest is shown in Figure 3.6 below:

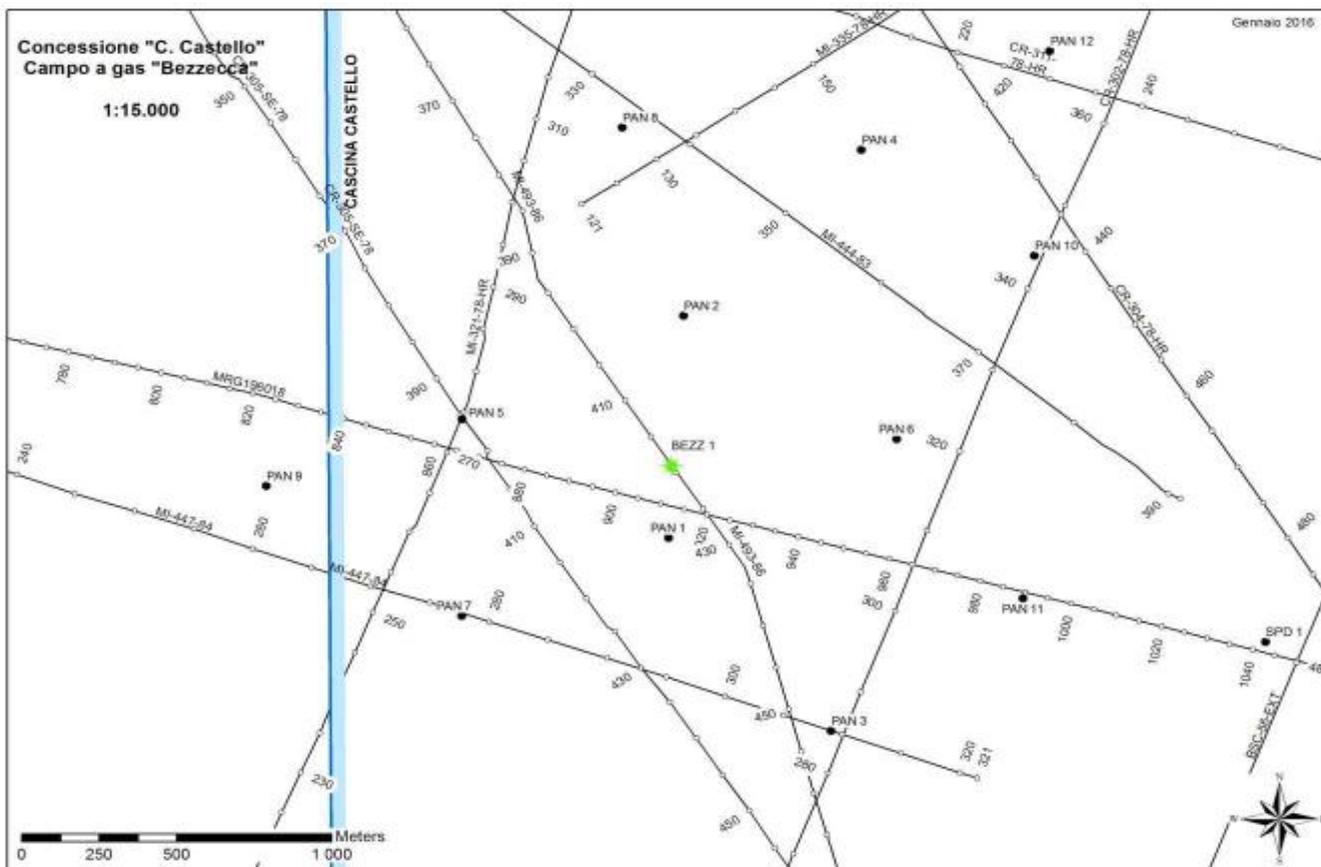


Figure 3.6 Seismic Base Map and Location of Wells, Bezzecca Field

Whereas the seismic coverage is adequate for a general view of the structure, the interpretation of faults and fault-bounded blocks is subject to uncertainty. The old Pandino wells provide accurate depth markers at top reservoir and intra-reservoir levels in between 2D lines.

The re-processing has resulted in improved imaging of reservoir and faults, and as a result of the re-interpretation, the future development plan has been modified.

The main result of the re-mapping has been the identification of four isolated structural blocks, each having different fluid contacts as shown in Figure 3.7 below:

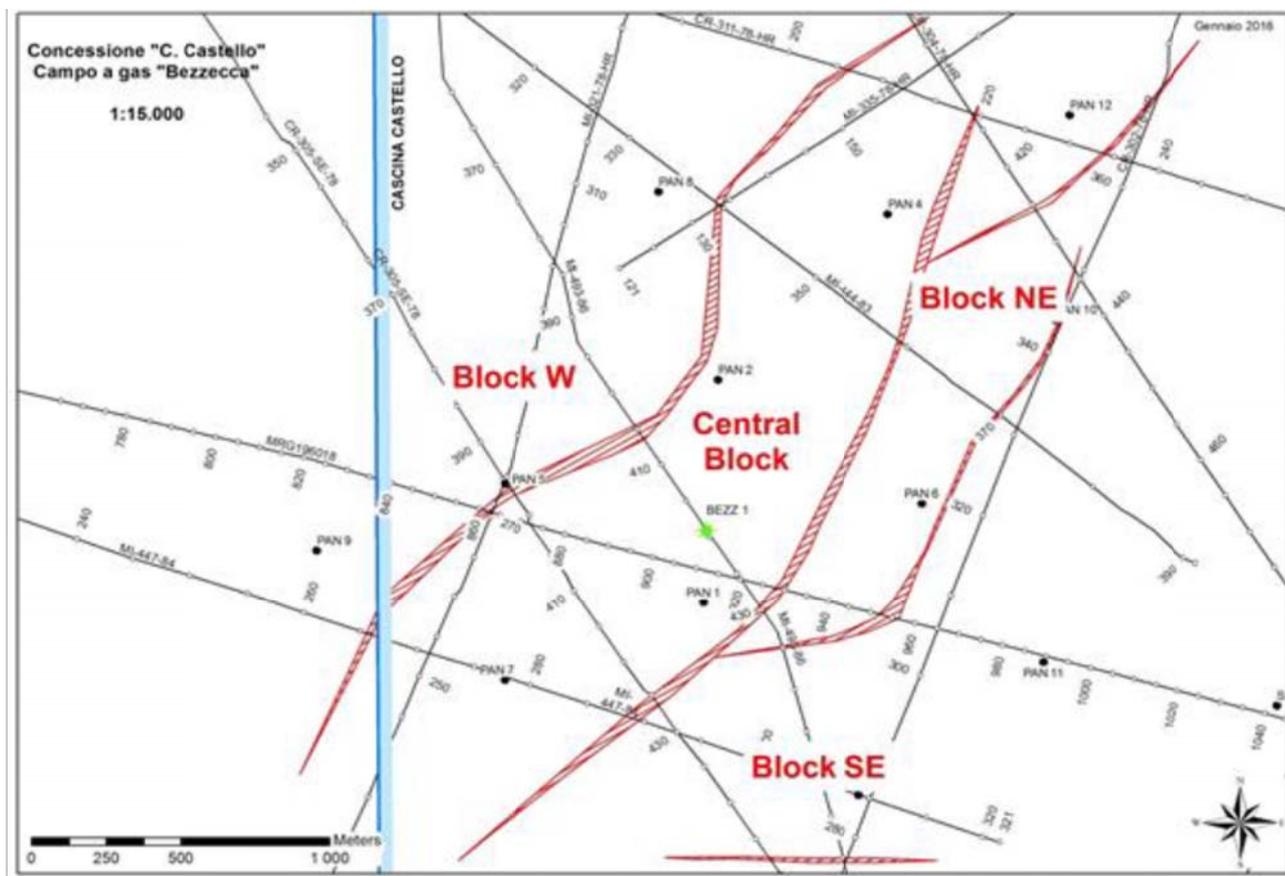


Figure 3.7 Identified Fault Blocks, Bezzecca Field

In the Bezzecca Field, there are six target reservoirs, three in the Pliocene (PL1C, PL1B and PL1A) and three more in the underlying Miocene (MI3-T, MI3-S and MI3-R).

Reservoir correlations (between wells) have been reviewed and revised as necessary. Whilst the correlations appear to be sound, there is always scope for mis-correlation between wells in the absence of 3D seismic. It is assumed that reservoir sands are laterally continuous, and whereas experience suggests that this is normally the case in the area, and is geologically the most reasonable, only long-term production will reveal just how laterally connected the sands are. They are thin enough that a small (unmapped) fault could conceivably compartmentalize the reservoir, for example.

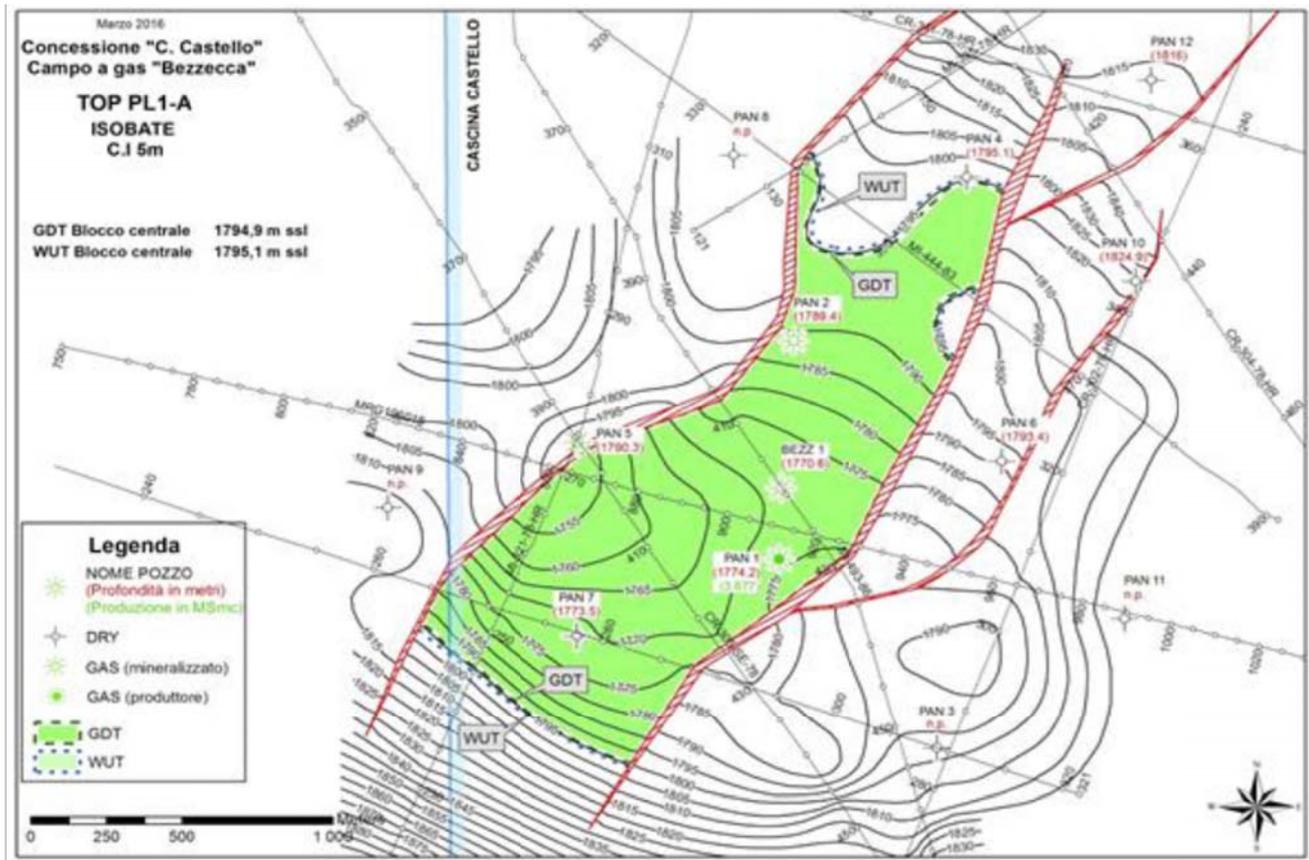


Figure 3.8 Pliocene Reservoir Level PL-1A Depth Structure, Bezzecca Field

In addition to a revision of the structural and stratigraphic interpretation, a full and detailed review of the rock properties has been undertaken by a petrophysicist with experience in the region. The wireline log data underlying the petrophysical interpretations is dominated by older log suites in the old Pandino wells, but also includes the latest Bezzecca suite of logs. There remains some uncertainty in the input parameters and output results, but this is not as significant as the uncertainty in Gross Rock Volume that derives from the 2D seismic coverage.

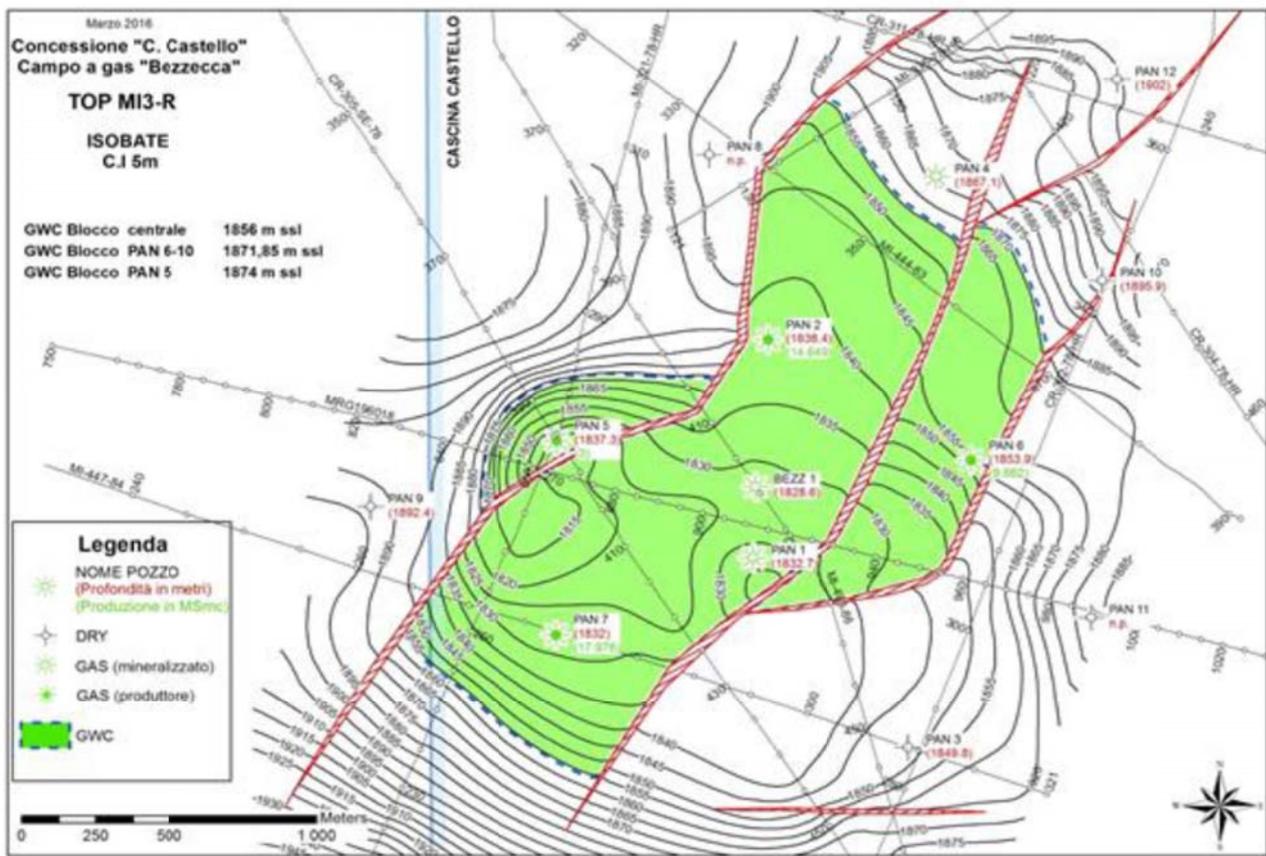


Figure 3.9 Miocene Reservoir Level MI3-R Depth Structure, Bezzecca Field

Reservoir properties for the different gas-bearing target layers are provided in Table 3.5 below:

Table 3.5 Reservoir Properties in Bezzecca Reservoir Zones, Bezzecca Field

LEVELS	Net/Gross (fraction)	PHIE (fraction)	Sw (fraction)	1-Sw (fraction)	Bg (fraction)	1/Bg (fraction)
PL1-C	0.6	0.18	0.30	0.70	0.005176	193.19
PL1-B	0.9	0.18	0.30	0.70	0.005156	193.94
PL1-A	0.75	0.15	0.40	0.60	0.005135	194.73
MI3-T	0.341	0.11	0.55	0.45	0.005088	196.55
MI3-S	0.439	0.13	0.40	0.60	0.005049	198.07
MI3-R	0.387	0.11	0.55	0.45	0.005022	199.12

The calculation of gas-initially-in-place (GIIP) proceeded by means of standard and reliable industry methods, including the use of the depth structure maps, initial gas-water contacts (in each fault block) and the reservoir and fluid properties as tabulated above.

GIIP is reproduced in the three tables below. Significant uncertainties in the Gross Rock Volume and field-wide average reservoir properties, as well as the presence of undetected structural or stratigraphic discontinuities, could have an impact on the reserves that are estimated from these GIIP numbers. Historical production from the Pandino Field has been subtracted to arrive at the remaining GIIP, and the current position of the gas-water contact (GWC) has been estimated using standard techniques.

Table 3.6 Original Gas-in-Place, Central Fault Block, Bezzeca Field

levels	O.G.I.P. Blocco Centrale NNE-SSW (wells Pandino 1, 2, 4, 7 e Bezzeca 1)						
	G.B.V.	avg. Phi	avg. N/G	avg. Sw	avg. 1-Sw	1/Bg	O.G.I.P.
	m ³ x10 ⁶	ad	ad	%	ad	ad	m ³ x10 ⁶
PL1-B	1,26	0,18	0,9	30	0,7	193,94	27,71
PL1-A	4,17	0,15	0,75	40	0,6	194,73	54,81
MI3-T	33,8	0,11	0,341	55	0,45	196,55	112,00
MI3-S	8,9	0,13	0,439	40	0,6	198,07	60,36
MI3-R	37,1	0,11	0,387	55	0,45	199,12	141,51
Total							396,41

Table 3.7 Original Gas-in-Place, North East Fault Block, Bezzeca Field

levels	O.G.I.P. Blocco N-E (wells Pandino 6 e 10)						
	G.B.V.	avg. Phi	avg. N/G	avg. Sw	avg. 1-Sw	1/Bg	O.G.I.P.
	m ³ x10 ⁶	ad	ad	%	ad	ad	m ³ x10 ⁶
PL1-B _{GDT-WUT}	1,2	0,18	0,9	30	0,7	193,94	26,391
MI3-T	11,4	0,11	0,341	55	0,45	196,55	37,822
MI3-R	10,7	0,11	0,387	55	0,45	199,12	40,814
Total							105,027

Table 3.8 Original Gas-in-Place, South East Fault Block, Bezzecca Field

levels	Block SE (wells Pandino 3 and 11)						
	G.B.V.	avg. Phi	avg. N/G	avg. Sw	avg. 1-Sw	1/Bg	O.G.I.P.
	m ³ x10 ⁶	ad	ad	%	ad	ad	m ³ x10 ⁶
PL1-C**	9.49	0.18	0.6	30	0.7	193.19	138.60
MI3-T	9.42	0.11	0.341	55	0.45	196.55	31.25
MI3-S	5.56	0.13	0.439	40	0.6	198.07	37.71
Total							169.86

Generally speaking, the aquifer in the region is an active one. Some gas wells have watered out, or coned water. Saffron's stated approach is to attempt to limit this risk by producing at sustainable rates, thus helping to avoid water coning into the production perforations.

3.3.2 Reservoir Engineering

3.3.2.1 Historical Production – Bezzecca

The field "Bezzecca" (formerly ENI's Pandino field) is located in the "Cascina S.Pietro" Permit, in the Northern part of the Po Valley between Cremona, Lodi, Bergamo and Milano Provinces. The Pandino gas field was discovered by ENI in 1955 through drilling of the well PAN-1. In total thirteen wells were drilled in the structure until 1964; eight of them were producers as PAN-1, PAN-2, PAN-3, PAN-4, PAN-5, PAN-6, PAN-7, and PAN-10. Production started from the two main Miocene in 1956 and ceased in January 1964. The field's cumulative gas production is reported as 144.4 MMm³ from all producing levels in all blocks. All historical producers are currently plugged and abandoned.

Saffron drilled a new well Bezzecca-1 in March 2009, and tested gas from the Miocene and Pliocene reservoirs. Well test interpretation indicates a permeability range of 1.3 - 37.9 mD in different producing layers.

3.3.2.2 Reserves and Resources – Bezzecca

During 2015-2016, with the interpretation of a new seismic line and petrophysics, Saffron has reassigned the gas produced. There is uncertainty on which levels were on production and how much gas had been produced from such levels due to commingled production and thinly bedded layers (i.e. some production was assigned to PL1-A then re-assigned to PL1-B after new petrophysics interpretation). Table 3.9 is the summary of Bezzecca GIIP and cumulative production that CGG has used for reserves and contingent resources estimation. CGG has taken cumulative production to be 152.47 MMm³. It should be noted that this is higher than the reported figure of 144.4 MMm³.

Table 3.9 Bezzecca GIIP and Cumulative Production

Layer	GIIP, MMm ³ (¹)	Cumulative Gas Production, MMm ³ (¹)
Central Block		
PL1-B	27.71	1.62
PL1-A	54.81	22.11
MI3-T	112	39.41
MI3-S	60.36	23.53
MI3-R	141.51	32.7
North-East Block		
PL1-B (²)	13.00 (GDT) 26.39 (WUT)	1.68
MI3-T	37.82	3.92
MI3-R	40.81	9.86
South-East Block		
MI3-T	31.25	0
MI3-S	37.71	0
PL1-C (³)	138.02 (original) 21.52 (current)	14.35
West Block		
MI3-S	0.68	0.29
MI3-R	9.69	3.00
<p>(1) MMm³ is Million standard cubic meters.</p> <p>(2) For PL1-B-NE, GIIP of GDT, Avg(GDT, WUT), WUT are used to calculate 1P, 2P, 3P, respectively.</p> <p>(3) For PL1-C-SE, the current GIP is used to calculate 1C, 2C, 3C.</p>		

As at 1st August 2016, Saffron is currently working on surface facilities in order to bring the Bezzecca-1 well on production including the installation of a 7 km pipeline. Saffron has informed CGG that the proposed Bezzecca-2 and Bezzecca-3 development plan has been approved by the board of directors and has received approvals from the relevant Italian authorities.

CGG has classified petroleum resources using the SPE Petroleum Resource Management System (2007). The reserves and contingent resources reported are as at 1st August 2016. Table 3.10 summarises the remaining reserves and contingent resources in the Bezzecca field.

The range of recovery factors have been applied to the gas initially in-place volumes to calculate a range of recoverable volumes. The cumulative production is then subtracted to obtain remaining recoverable volumes. In the PL1-C-SE layer, the supposed current GWC has been used to calculate the gas currently in-place. There is, therefore, no need to subtract the cumulative production.

- For Pliocene levels, recovery factors of 50%, 60%, and 70% are applied for low, best, and high estimates.

- For Miocene levels, recovery factors of 40%, 50%, and 60% are applied for low, best, and high estimates.

1P, 2P, and 3P reserves are based on production from three wells in three targeted blocks. The central block will be drained by the existing Bezzecca-1 well with first gas targeted for January 2017. The North-East block will be drained by Bezzecca-2 well with first gas targeted for January 2019. The South-East block will be drained by Bezzecca-3 well with first gas targeted for January 2021.

Three layers: PL1-B-Central, MI3-T-Central, and PL1-C-SE have been classified as contingent resources. In order for them to be reclassified, the following “decision gates” must be met:

PL1-B-Central:

- Pressure tests – there is uncertainty on which layers have been produced. Therefore this is contingent on a physical pressure test of the layer which provides evidence of commercially producible gas.

MI3-T-Central:

- Bezzecca-1 well performance and timing – the layer is contingent on production data and layer performance so that intervention timing can be optimised in order to maximise overall recovery (Reserves + Contingent Resources). If the MI3-T-Central layer volumes accessed via an intervention, once the timing is established, are shown to be commercially producible then these may be moved to reserves.

PL1-C-SE:

- Drilling and successful logging – once Bezzecca 3 is drilled, it may be possible to access this layer so it is contingent on a successful logging operation which establishes commercially producible gas.

Saffron has proposed to operate the Bezzecca-1 well by commingled production of the three levels: PL1-A-Central, MI3-S-Central, and MI3-R-Central with the control of gas production in order to prevent water breakthrough. It is noted that higher gas production than the current plan could potentially lead to early water breakthrough and ultimately lower reserves. In addition, disappointing well performance and evaluation results of the three development wells could lead to reclassification/reduction of resources.

The production profiles for 1P, 2P and 3P reserves are graphically shown in Figure 3.10. Table 3.11 shows the annual production and cumulative production.

Table 3.10 Bezzecca Remaining Reserves and Contingent Resources by Layer as of 1st August 2016

Remaining reserves and resources as of 1 st August 2016 (100%)						
Layer	Reserves, MMm ³ ⁽¹⁾			Contingent Resources, MMm ³ ⁽¹⁾		
	1P	2P	3P	1C	2C	3C
Central Block (recovered by existing Bezz-1 well)						
PL1-B				12.24	15.01	17.78
PL1-A	5.29	10.77	16.25			
MI3-T				5.39	16.59	27.79
MI3-S	0.61	6.65	12.69			
MI3-R	23.9	38.06	52.21			
Total in Central Block	29.81	55.48	81.15	17.63	31.60	45.57
North-East Block (recovered by Bezz-2 well)						
PL1-B	4.82	10.14	16.8			
MI3-T	11.21	14.99	18.77			
MI3-R	6.46	10.54	14.63			
Total in North-East Block	22.49	35.67	50.19			
South-East Block (recovered by Bezz-3 well)						
MI3-T	12.5	15.63	18.75			
MI3-S	15.08	18.86	22.63			
PL1-C				10.76	12.91	15.07
Total in South-East Block	27.58	34.48	41.38	10.76	12.91	15.07
West Block						
Total in West Block						
Summary of all Blocks (recovered by 3 development wells)						
PL1-B	4.82	10.14	16.8	12.24	15.01	17.78
PL1-A	5.29	10.77	16.25			
MI3-T	23.71	30.61	37.52	5.39	16.59	27.79
MI3-S	15.7	25.51	35.31			
MI3-R	30.37	48.6	66.83			
PL1-C				10.76	12.91	15.07
Total in All Blocks ⁽²⁾	79.89	125.63	172.71	28.39	44.51	60.64

(1) MMm³ is Million standard cubic meters.

(2) Total remaining volumes are arithmetically summation of all layers and may not add due to rounding error.

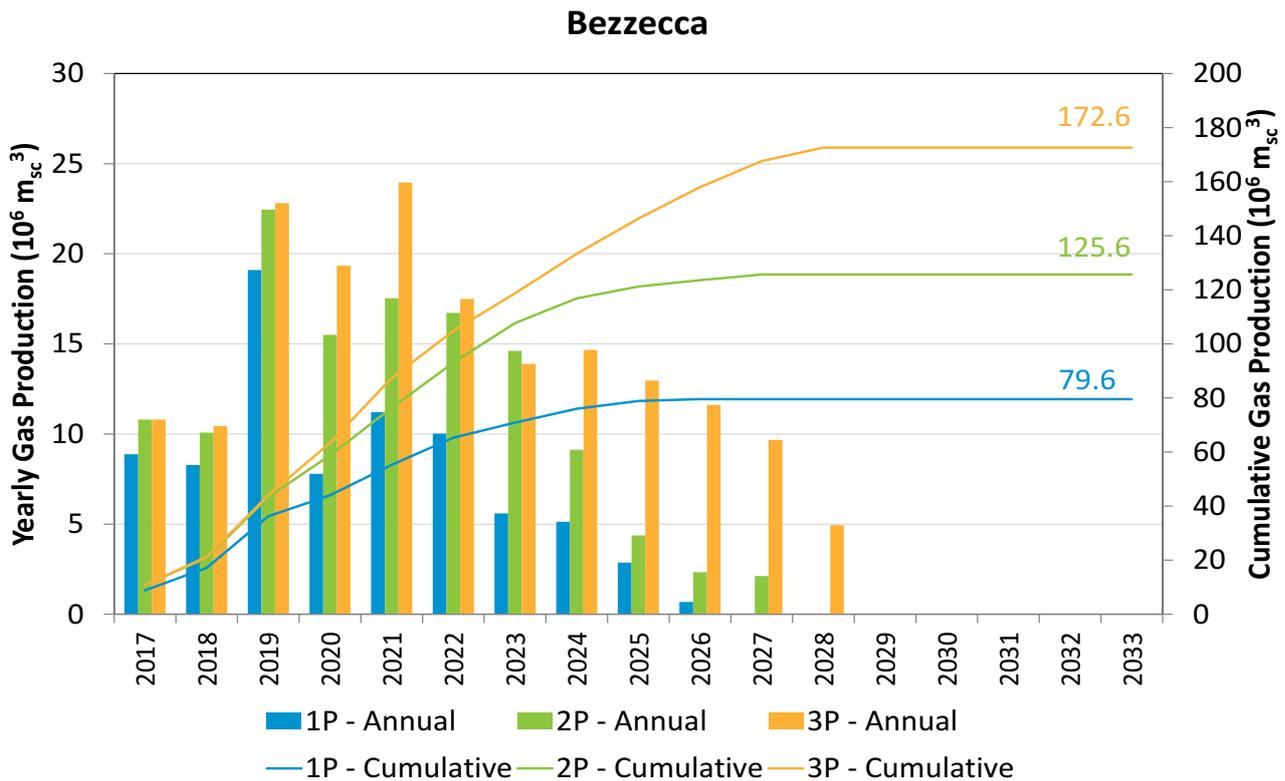


Figure 3.10 Technical Production Profiles of Bezzecca 1P, 2P and 3P (before Economic Cutoff)

Table 3.11 Annual Production and Cumulative Production of Bezzecca (before Economic Cutoff)

Year	1P		2P		3P	
	Annual Production (MMm ³)	Cumulative Production (MMm ³)	Annual Production (MMm ³)	Cumulative Production (MMm ³)	Annual Production (MMm ³)	Cumulative Production (MMm ³)
2017	8.88	8.88	10.80	10.80	10.80	10.80
2018	8.28	17.16	10.08	20.88	10.44	21.24
2019	19.09	36.25	22.45	43.33	22.81	44.05
2020	7.79	44.05	15.50	58.82	19.33	63.38
2021	11.21	55.26	17.52	76.34	23.95	87.33
2022	10.03	65.29	16.72	93.06	17.49	104.82
2023	5.59	70.88	14.62	107.68	13.90	118.72
2024	5.13	76.01	9.13	116.81	14.67	133.39
2025	2.87	78.88	4.37	121.18	12.96	146.35
2026	0.68	79.56	2.34	123.52	11.62	157.97
2027	0.00	79.56	2.12	125.64	9.67	167.64
2028	0.00	79.56	0.00	125.64	4.94	172.58

3.4 San Vincenzo Licence, Sant'Alberto – Santa Maddalena Gas Field

3.4.1 Geology and Geophysics

Saffron has submitted a licence application, named Sant'Alberto, to the Italian authorities which would allow them to carry out this gas field redevelopment project. The old field (S.Pietro in Casale) was divided into blocks by faults; it is incompletely drained with updip gas remaining in Block number 5.

This Block is an eastern extension of the old field and has been drilled by the Santa Maddalena-1dir well. In addition, Saffron acquired seven new seismic lines in 2011 (41 km). Seismic line spacing is 0.6km to 1.9km over the structure, which is therefore well defined. The Sant' Alberto – Santa Maddalena structure is a well-defined WNW-ESE oriented hanging-wall anticline at Pliocene level with associated back-thrust and several NNE-SSW oriented tear faults. The seismic shows several hydrocarbon indicators: a bright/flat spot and amplitude inversion at PL1-H level. The prospect polygon is sub-elliptical and lies between seismic lines 02 and 05 acquired by Saffron in 2011.

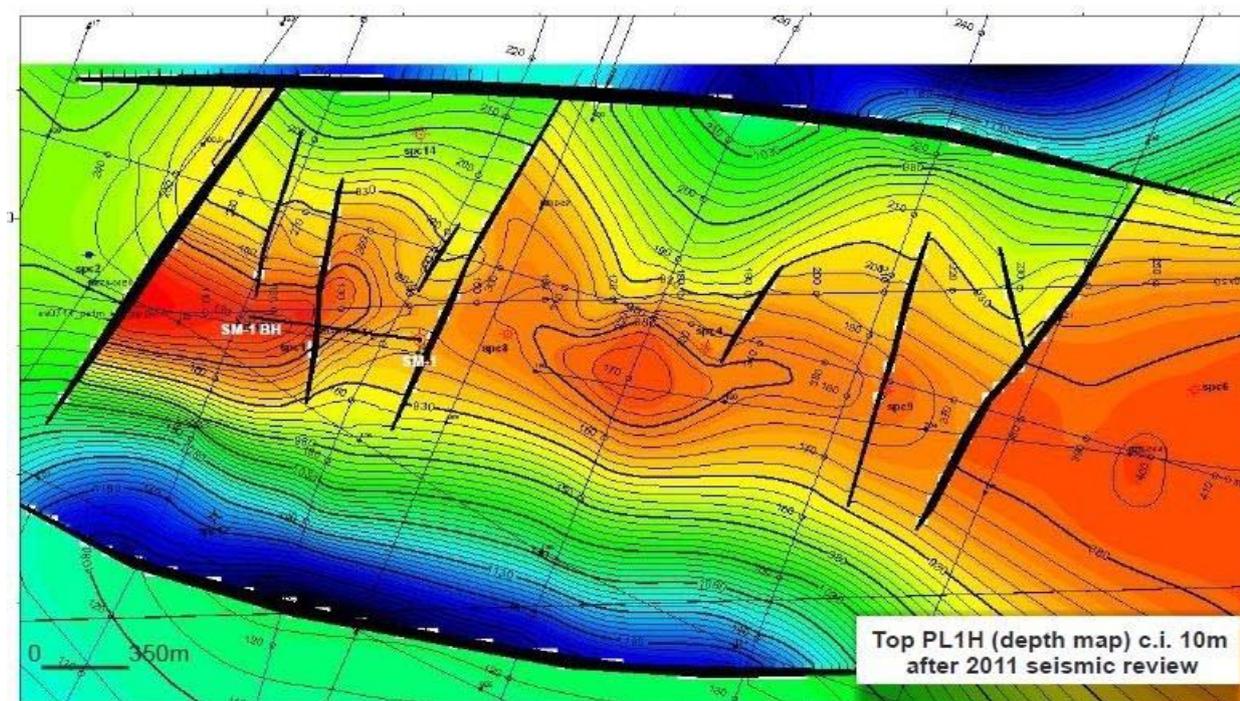


Figure 3.11 Depth Structure Map of the Sant'Alberto Field at Pliocene level

The prospect area (Zone A and Zone B) is comprised between two NNE-SSW oriented tear faults, with Zone A closed against the western boundary fault and Zone B to the east showing a four way dip closure. Gas is trapped in Middle and Lower Pliocene sands, with some possible additional undeveloped gas in the Quaternary.

3.4.2 Reservoir Engineering

3.4.2.1 Historical Production – Sant' Alberto

The Sant' Alberto field, formerly the San Pietro in Casale (SPC) field, is located in the “San Vincenzo” Permit, in the Emilia-Romagna region. The field was historically developed by AGIP through four producers: SPC-1, SPC-4, SPC-8 and SPC-9 from two culminations, known as Zone A and Zone B. The target of the field development was level PL1-H and PL2-C, belonging to the Porto Corsini and Porto Garibaldi formations respectively. Production started from level PL1-H in September 1960 and ceased in January 1976 with a cumulative gas production of 178.4 MMm³ (6.3 Bscf). Level PL2-C was opened in April 1976 and production was ceased in August 1985 with cumulative gas production of 23.5 MMm³ (0.8 Bscf). All historical producers are currently plugged and abandoned.

EDISON (former operator and partner) drilled a new well SM-1 in 2004, which encountered PL1-H below the gas-water contact (GWC). The well was side-tracked and encountered gas in the main level of the field (PL1-H). The well was completed as a single selective completion by installing three Sliding Side Doors (SSDs). In July 2004, separate production tests were carried out for units PL1-H1 and PL1-H2. A commingled production test of these two units was also carried out in November 2005. The well was not able to produce from PL2-C; therefore CGG has considered PL1-H as the main target for future development.

CGG has reviewed the reports for evaluating the predicted production performance of the existing well and future development wells. The reported estimated remaining gas-in-place (GIP) of Zone A and Zone-B based on new seismic interpretation and mapping are tabulated in Table 3.12.

Table 3.12 Zone-A and Zone-B remaining Gas in Place (GIP)

Level	Remaining gas-in-place (GIP), MMm ³ (Bscf)
Zone A	93.44 (3.3)
Zone B	31.15 (1.1)
Total	124.59 (4.4)

3.4.2.2 Reserves and Resources – Sant' Alberto

The “Santa Maddalena Field Static and dynamic reservoir study” is a dynamic simulation model study, wherein the model was calibrated with historical production data. The study concluded that the two culminations are currently separated by an aquifer, which invaded a relevant portion of the porous volume as a consequence of the historical production. The presence of a strong water drive has been confirmed. The calibrated simulation model was used to predict the remaining recoverable resources from the existing well and an additional well.

CGG has classified petroleum resources using the SPE Petroleum Resource Management System (2007). The reserves and contingent resources reported are as at 1st August 2016. Table 3.13 summarises the remaining reserves and contingent resources in the Sant' Alberto field.

1P reserves are based on the production from PL1-H level through the existing well - SM-1d. According to the simulation study, the well is capable of producing 50.7 MMm³. 1P reserves are from Zone A culmination only. Production is targeted for July 2017.

2P reserves are based on production from PL1-H level through the existing well SM-1d with better recovery based on simulation results. The well is capable of producing 59.5 MMm³. 2P reserves are from Zone A culmination only.

3P reserves are based on production from PL1-H level through the existing well SM-1d (as 2P reserves). The additional 3P reserves are from Zone B. An additional well is required to recover from the Zone B culmination. The additional well is capable of producing 20.1 MMm³ from Zone B. The 65% recovery factor has been taken from the simulation results of the Zone-B culmination. The additional well is targeted for drilling in July 2019 with one month field shut down during that time. First production from the additional well is estimated to be in August 2019.

It should be noted that disappointing evaluation results from SM-1d could lead to reclassification/reduction of resources.

The production profiles for 1P, 2P and 3P reserves are graphically shown in Figure 3.12. Table 3.14 shows the annual production and cumulative production.

Table 3.13 Sant' Alberto Remaining Reserves and Contingent Resources by Layer as of 1st August 2016

Remaining reserves and resources as of 1 st August 2016 (100%)						
Layer	Reserves, MMm ³ ⁽¹⁾			Contingent Resources, MMm ³ ⁽¹⁾		
	1P	2P	3P	1C	2C	3C
Zone A	50.7	59.5	59.5			
Zone B	-	-	20.1			
Total ⁽²⁾	50.7	59.5	79.6			

(1) MMm³ is Million standard cubic meters.

(2) Total remaining volumes are arithmetically summation of all layers and may not add due to rounding error.

Sant' Alberto

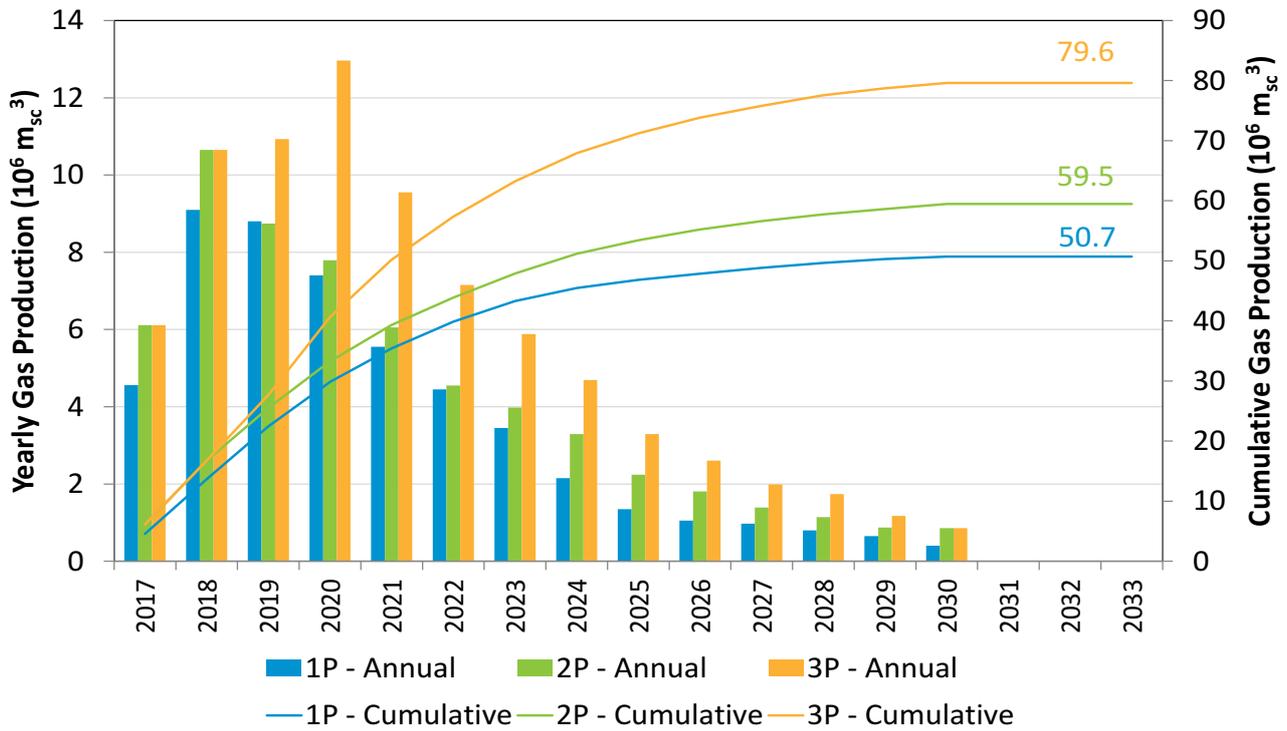


Figure 3.12 Technical Production Profiles of Sant' Alberto 1P, 2P and 3P (before Economic Cutoff)

Table 3.14 Annual Production and Cumulative Production of Sant' Alberto (before Economic Cutoff)

Year	1P		2P		3P	
	Annual Production (MMm ³)	Cumulative Production (MMm ³)	Annual Production (MMm ³)	Cumulative Production (MMm ³)	Annual Production (MMm ³)	Cumulative Production (MMm ³)
2017	4.56	4.56	6.11	6.11	6.11	6.11
2018	9.10	13.66	10.65	16.76	10.65	16.76
2019	8.80	22.46	8.74	25.50	10.93	27.69
2020	7.40	29.87	7.79	33.29	12.97	40.66
2021	5.55	35.42	6.05	39.35	9.55	50.21
2022	4.45	39.87	4.55	43.90	7.15	57.36
2023	3.45	43.32	3.98	47.88	5.88	63.24
2024	2.15	45.47	3.29	51.17	4.69	67.93
2025	1.35	46.82	2.24	53.41	3.29	71.22
2026	1.05	47.87	1.81	55.22	2.61	73.83
2027	0.98	48.85	1.39	56.61	1.99	75.82
2028	0.80	49.65	1.14	57.75	1.74	77.56
2029	0.65	50.30	0.87	58.62	1.17	78.74
2030	0.40	50.70	0.85	59.48	0.85	79.59

3.5 Cascina Castello Production Licence – West Vitalba Prospective Resource

3.5.1 Geology and Geophysics

Saffron obtained a 9 sq. km portion of the Settala 3D seismic survey acquired within C.Castello production licence. The 3D survey, which was acquired for STOGIT in 2006/2007, is intersected by 2D seismic line MI-498 within the Cascina Castello Production License. Using the new 3D data Saffron has mapped two new prospects: West Vitalba and Up West.

The West Vitalba prospect occurs as the western extent of Early Pliocene San-A1 and San-A2 reservoirs intersected in the Agnadello-1 well. Each reservoir exists as a pinch-out trap which onlaps a lower sequence boundary. Reservoir quality has been proven by nearby Agnadello field production. Two areal prospect closure cases are defined:

- 1) the limit of the structural closure from the lap-out edge to the spill point of each pinch-out (San-A1 and –A2)
- 2) the limits of an amplitude anomaly located immediately east of case 1.

The amplitude anomalies are restricted to single peak reflection events and are interpreted as hydrocarbon indications of gas charged sands based on similar seismic expression of the San-A1 and –A2 reservoirs in the nearby Agnadello Field.

The “Up West” Prospect is defined by a number of amplitude anomalies located above and to the west of the Early Pliocene prospects, with similarly restricted to single peak reflection events at probable Pleistocene level

of between 900-1000 msec. As for the West Vitalba prospect, the amplitude anomalies are interpreted as hydrocarbon indications of gas charged sands. As the amplitude anomalies are restricted to single peak reflections they could be considered as a series of stacked reservoirs separated by probable silty intervals in the seismic troughs. The largest of these amplitude anomalies has been mapped as a four-way dip closed and named Up West Prospect. In order to account for the possibility of stacked reservoirs above and below the mapped event, a range of reservoir thicknesses have been used in the probabilistic resource assessment.

The prospective resource estimates for West Vitalba are 1.58, 2.44 and 3.21 BCF at the low, best and high estimate levels with a chance of success equal to 54%. The prospect known as “Up West Vitalba” could contain 1.4, 2.2 and 3.1 BCF of recoverable gas at the low, best and high estimate levels with a chance of success of 13%. Current plans are for drilling in 2018, with first gas, in the success case(s), in 2020.

3.5.2 Reservoir Engineering

The Agnadello-1 well, drilled in 1978, is a good analogue to estimate the production potential of Up West Vitalba and West Vitalba prospective resources. The well Agnadello-1 encountered two gas bearing zones separated by a shale interval. These two intervals had been tested with gas rates between 90 Mm³/d and 150 Mm³/d.

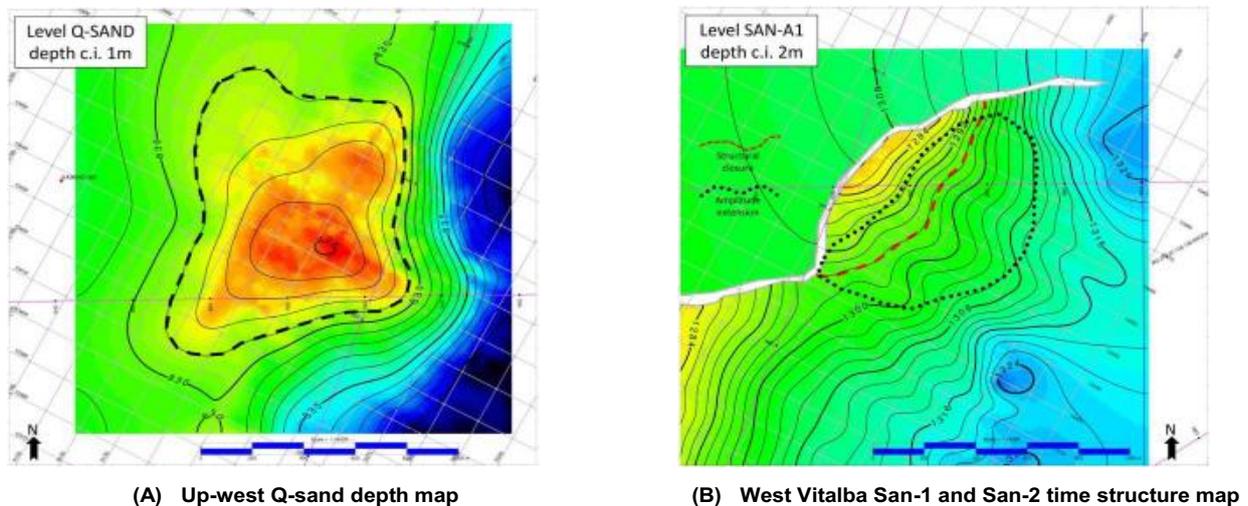


Figure 3.13 West Vitalba structures

For the Up West Vitalba gas prospective resources, one deviated well is required to develop this prospect which will also target the West Vitalba prospect. If successful, a 2 km gas pipeline will connect the well to the existing Vitalba gas plant for first gas during 2020.

4 DEVELOPMENT CONCEPTS

4.1 Introduction

CGG has undertaken a desktop review of cost estimates and schedule required to develop/operate the assets under consideration. No site visit has been made.

The resources under consideration are characterised by relatively low well and facilities costs situated very close to gas infrastructure. This contributes to the low volume thresholds required for an economic project.

The gas treatment plants for Castello and Sillaro were built in 2009 and 2010 respectively. These are standard 2 phase separation plants (3 phase separation capability is available at Sillaro but not currently needed). The raw natural gas is collected from the adjacent well(s) and it is first processed at a separator for removal of free liquid water, disposed as wastewater. The raw gas is then pipelined to the next phase of the gas processing at the plant where water vapor is removed from the gas using the regenerable absorption in liquid triethylene glycol (TEG), commonly referred to as glycol dehydration. The residue gas from the recovery section is the final, purified sales gas which is pipelined to the end-user markets. The nation grid is approximately 200 metres away from both plants.

Capital cost forecasts have, in the main, been estimated at Authority for Expenditure (AFE) level which is the most detailed level of costings prevalent in the oil and gas industry. Estimates include, inter alia, environmental, land access and planning costs as well as an appropriate level of contingency.

In all scenarios fuel gas of 0.87% of production has been removed prior to running the economics. All costs have been included in the economic model in nominal terms assuming 2% inflation.

Operating cost forecasts have been derived for all three assets per the O&M contract at €24,000 per month plus a variable cost element consistent with historical averages (Appendix A).

4.2 Expenditures

4.2.1 Sillaro Field

The Sillaro gas field, located 30km east of Bologna, commenced production from two wells (one dual completion, one single completion) in May 2010. No further drilling is anticipated to produce the 1P reserves. However, at the beginning of 2012 low levels of condensate production were detected. In order to limit liquid production, condensate processing equipment has been installed.



Figure 4.1 Sillaro Plant November 2016 (source CGG)

2P and 3P reserves will be accessed by re-drilling Sillaro-1 with a deviated well (Sillaro-3Dir) in 2018 at a cost of €3.4MM. In the 3P case two interventions at a cost of €115k each are required in 2018 and 2020 to access D and E0 levels.

Operating costs have been forecast based on the O&M contract, at fixed costs of €24,000 per month plus variable costs of €0.02/scm with a decline towards end of field life.

4.2.2 Bezzecca Field

The Bezzecca Field is located 35km east of Milan. One well (single completion) has already been drilled (Bezzecca-1). The field is currently being developed as a 7km tieback to the Vitalba Plant (which has spare capacity) with first gas expected January 2017.



Figure 4.2 Construction of Bezzecca to Vitalba pipeline November 2016 (source CGG)

In December 2014 a farm-out agreement was executed with Petrorep Italiana S.p.A ('Petrorep') permitting them to earn a 10% interest in the Cascina Castello production concession including the existing plant (excluding the Vitalba-1 well). For its 10% interest Petrorep pay a promoted share of the 7km pipeline and tie-in.



Figure 4.3 The Vitalba Plant November 2016 (source CGG)

As at 1st August 2016, the remaining pipeline and tie-in costs to be incurred are estimated at €1.763MM of which Saffron pay €1.589MM (90%)

Further plans are for a dual completion well in the NE Block (Bezzecca-2) in December 2018 and in the SE Block (Bezzecca-3) in December 2020.

Bezzecca-2 is part of a work programme that has been approved at Ministry level (production concession) and Regional level (Environmental Impact Assessment). This work programme has also been signed off by Saffron's board.

As part of the farm-in arrangement, Petrorep pay a promote on Bezzecca- 2; 100% well cost estimate is €4.04MM (AFE estimate) of which Saffron pay €3.44MM (85%). Bezzecca- 3's cost estimate is €3.9MM. This is funded 90% by Saffron at €3.5MM (AFE estimate).

Operating costs have been forecast based on the O&M contract of €24,000 per month plus variable costs of €0.02/scm with a decline towards end of field life.

4.2.3 Sant' Alberto Field

Preliminary government approval and Environmental Impact Assessment (EIA) approval has been granted as at the date of this report. It has therefore been moved into the Reserve category from Contingent Resources.

One well has already been drilled from which it is expected that both 1P and 2P reserves can be depleted. A second well in 2019 (cost estimate at budgetary level, €2.5MM) is required to deplete the 3P resources.



Figure 4.4 Well at Sant' Alberto November 2016 (source CGG)

The development is expected to begin in Q2 2017 with first gas anticipated in July 2017. The processing plant and tie-in (capacity 50,000 – 100,000m³/day) has a cost estimate attached of €1.3MM. The tie-in point is just a few hundred metres.

Operating costs have been forecast based on the O&M contract of €24,000 per month plus variable costs of €0.02/scm with a decline towards end of field life. A rent to own arrangement is also in place for the facilities at €20,000 per month for four years.

A detailed breakdown of capital and operating expenditures including obligatory closure (decommissioning) costs for each field can be found in Appendix A of this report.

5 REVIEW OF ECONOMIC PARAMETERS

In this section the key economic parameters used by CGG are outlined, together with associated underlying assumptions.

5.1 Prices

Historically Saffron have sold their gas under oil-indexed long term contract. During 2012 a decision was taken to switch to spot sales based on the PSV, the virtual gas hub run by Italian network operator Snam Rete Gas, in order to provide Saffron with flexibility. In July 2013 Saffron signed a one year fixed price natural gas supply contract with Shell for 50Mm³ of gas. This has subsequently been extended at negotiated prices, the latest being the supply of 10Mm³ at €0.23/m³ until September 2017. Additionally a contract has been discussed to coincide with first production from Bezzecca until December 2018 for 20Mm³ at a price of €0.20/m³. Non-contracted gas until December 2018 is based on the PSV futures curve dated 16 August 2016. Analysis of PSV gas prices since 2010 show a strong correlation with Brent oil so from 2019 our mid-price non-contracted gas forecast is based on a 72% energy equivalent Brent futures curve dated 16th August 2016. In order to capture gas price uncertainty, low and high price decks have been taken as +/- 15% for 2016 and 2017 and +/-20% for 2018 onwards. The narrower near-term range reflects the greater certainty of near-term pricing. Pricing assumptions have been based on a CV assumption slightly lower than the reference CV for PSV pricing (38000KJ/m³ vs 38100KJ/m³).

Table 5.1 Non- Contracted Gas Price Assumptions

Year	€/m ³		
	Low	Mid	High
2016	0.140	0.164	0.189
2017	0.155	0.183	0.210
2018	0.149	0.186	0.223
2019	0.175	0.219	0.263
2020	0.181	0.226	0.271
2021	0.185	0.232	0.278
2022	0.190	0.237	0.284
2023	0.192	0.240	0.288
2024	+2%		

Table 5.2 Contracted Gas Price Assumptions

Year	€/m ³		
	Low	Mid	High
2016	0.230	0.230	0.230
2017	0.208	0.208	0.208

2018	0.200	0.200	0.200
2019	0.175	0.219	0.263
2020	0.181	0.226	0.271
2021	0.185	0.232	0.278
2022	0.190	0.237	0.284
2023	0.192	0.240	0.288
2024		+2%	

5.2 Other Evaluation Parameters

CGG has used the evaluation parameters summarised below:

Table 5.3 Economic Parameters

Parameter	Value
Discount Factor	10%
Discount Methodology	Mid-Year
Cost /Price Inflation	2% per annum
Discount Date	1 August 2016
Currency Units	Calculation and reporting is conducted in Euro currency (€)
Exchange Rate	1€ = US\$1.15

5.3 Fiscal System

Italy's upstream oil and gas industry operates under a concessionary royalty and taxation system. Concessions are granted by the state through the National Office of Mining, Hydrocarbons and Geothermal Resources (UNMIG).

Royalty is paid on the wellhead value of sales production, and is payable on an incremental tranche basis. The following production exemptions are stipulated in the table below:

Table 5.4 Government Royalty

Production	Location of Concession	Annual Production, Exempted of Royalties (Per Year)	Royalty Rate Applicable
Oil	Onshore	20 Thousand Tonnes	10%
Oil	Offshore	50 Thousand Tonnes	4%
Gas	Onshore	25 Million Cubic Meters	10%
Gas	Offshore	80 Million Cubic Meters	7%
Oil and Gas	Onshore Sicily	Royalties Always Payable for Oil & Gas	10%

The Finance Act (2008) reduced the corporate income tax (IRES) rate from 33% to 27.5%. This Law Decree also introduced an addition corporate tax (so called 'Robin Hood Tax') of 6.5 percent for companies with gross revenues in the preceding year of more than €25MM per company. This was subsequently amended in both 2011 and 2013. However, now the Italian Constitutional Court has published a ruling declaring the Robin Hood tax unconstitutional and has eliminated it from February 2015 going forward.

Standard Italian corporate income tax (IRES) applies to profits. Companies with onshore production are also subject to a regional income tax (IRAP). This is charged at 3.9 percent except in Lazio and Sicily, where it is 4.8176 percent. The Saffron assets fall under the Lazio regime.

Tax losses can be carried forward against IRES but not IRAP. Losses incurred during the first three tax years of activity can be carried forward without any limitation. Losses incurred as from the fourth tax year can be carried forward indefinitely but they can only offset a maximum of 80% of the profit of each single future year.

Tax allowances are as follows:

- Exploration and Appraisal costs at 100 percent as incurred.
- Non-Well Capital costs depreciated at 15 percent, on a straight line basis (10% in the 7th year).
- Well Capital costs depreciated on a unit of production basis.
- Abandonment expenditure depreciated on a unit of production basis.
- Operating expenditure at 100 percent as incurred.
- Royalty payments at 100 percent as incurred.

6 VALUATION AND RESULTS

6.1 CGG Valuation Approach

CGG has conducted an unrisks economic evaluation to establish the value of the three fields to Saffron. As well as providing standalone valuations of each asset, the aim is also to ensure that the PRMS/AIM commerciality test is passed vis-à-vis reserve/resource classification of each asset separately. ie positive NPV at a 10% nominal discount rate.

CGG has generated an Excel™ economic model capturing the fiscal terms and CGG's economic assumptions and technical forecasts.

For the assets evaluated a point forward valuation has been generated using the industry standard net present value (NPV) calculation determined from the estimated future net cash flows of the assets.

The cash flow benefit of tax losses have been allocated equitably between the three fields.

6.2 Economic Results

6.2.1 Gas Reserves

The two tables below state commercially producible reserves in both MMm³ and Bscf. All fields are operated by Saffron.

Table 6.1 Summary of Gas Reserves per asset (MMm³)

Field	Gross			Net attributable		
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible
Sillaro	1.0	63.3	76.8	1.0	63.3	76.8
Bezzecca	78.9	125.6	172.6	71.0	113.0	155.3
Sant' Alberto	46.8	56.5	78.7	46.8	56.5	78.7

Table 6.2 Summary of Gas Reserves per asset (Bscf)

Field	Gross			Net attributable		
	Proved	Proved & Probable	Proved, Probable & Possible	Proved	Proved & Probable	Proved, Probable & Possible
Sillaro	0.04	2.2	2.7	0.04	2.2	2.7
Bezzecca	2.8	4.4	6.1	2.5	4.0	5.5
Sant' Alberto	1.7	2.0	2.8	1.7	2.0	2.8

6.2.2 Gas Contingent Resources

The two tables below state commercially producible reserves in both MMm³ and Bscf. All fields are operated by Saffron.

Table 6.3 Summary of Gas Contingent Resource by asset (MMm³)

Field	Gross			Net attributable		
	1C	2C	3C	1C	2C	3C
Sillaro	16.2	31.3	42.7	16.2	31.3	42.7
Bezzecca	28.4	44.5	60.6	25.6	40.1	54.5
Sant' Alberto	-	-	-	-	-	-

Table 6.4 Summary of Gas Contingent Resource by asset (Bscf)

Field	Gross			Net attributable		
	1C	2C	3C	1C	2C	3C
Sillaro	0.6	1.1	1.5	0.6	1.1	1.5
Bezzecca	1.0	1.6	2.1	0.9	1.4	1.9
Sant' Alberto	-	-	-	-	-	-

6.2.3 Economic Net Present Values

In the tables below are the economic results attributed to Saffron.

Base Price Results:

Table 6.5 Reserves Net Present Value at Base Price

Licence	Field	NPV ₁₀ € MM		
		1P	2P	3P
Sillaro	Sillaro	-	2.8	4.2
Cascina San Pietro	Bezzecca	0.7	4.2	6.9
San Vincenzo	Sant' Alberto	2.1	2.8	3.0

Note Sillaro 1P case excluded as expected to reach cessation of production before end 2016, followed by abandonment liability

Low Price Results:

Table 6.6 Reserves Net Present Value at Low Price

Licence	Field	NPV ₁₀ € MM		
		1P	2P	3P
Sillaro	Sillaro	-	1.4	2.7
Cascina San Pietro	Bezzecca	-0.9	2.3	4.4
San Vincenzo	Sant' Alberto	0.9	1.5	1.3

High Price Results:

Table 6.7 Reserves Net Present Value at High Price

Licence	Field	NPV ₁₀ € MM		
		1P	2P	3P
Sillaro	Sillaro	-	4.0	5.6
Cascina San Pietro	Bezzecca	2.0	6.0	9
San Vincenzo	Sant' Alberto	3.0	3.9	4.6

It should be noted that the above NPVs do not include any risk factors to account for the fact that planned developments may not proceed due to commercial or other reasons.

6.2.4 Cost Sensitivities

Capital and Operating Cost sensitivities have been carried out at +/-20% and are set out in the table below

Asset (2P)	Base (€MM)	Capex +15%	Capex – 10%	Opex +15%	Opex -10%
------------	------------	------------	-------------	-----------	-----------

Sillaro	2.8	2.4	3.0	2.5	3.0
Bezzecca	4.2	3.4	4.7	3.8	4.4
Sant' Alberto	2.8	2.6	2.8	2.3	3.0

The above indicate that asset values are not materially impacted across the sensitivity range with healthy rates of return maintained across the range.

6.2.5 Detailed Cashflow Projections

Saffron cashflows by asset are tabulated below. These are on the base price assumption.

Table 6.8 Net cash flow at base price

Year	Net Cash Flow €MM		
	Sillaro 2P	Bezzecca 2P	Sant' Alberto 2P
2016	0.2	-1.6	0.0
2017	-3.0	1.2	-0.9
2018	2.2	-2.2	1.1
2019	2.1	3.1	1.1
2020	1.7	-1.3	1.0
2021	1.2	2.6	0.9
2022	0.9	2.6	0.6
2023	0.7	2.2	0.5
2024	0.0	1.4	0.4
2025	0.0	0.6	0.2
2026	-2.3	0.2	0.1
2027		0.2	0.0
2028		0.0	0.0
2029		0.0	0.0
2030		-1.9	-1.3

6.2.6 Net Cashflow Graphs

The following graphs display annual cash flows for each of the assets. The cash flows presented are in nominal terms using the base economic price deck.

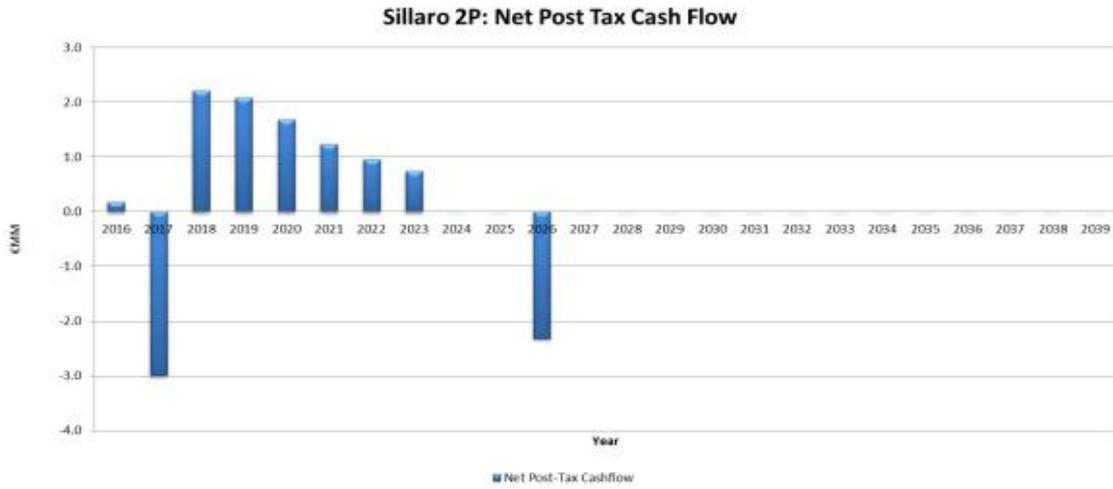


Figure 6.1 Annual Net Cash Flow Sillaro-2P

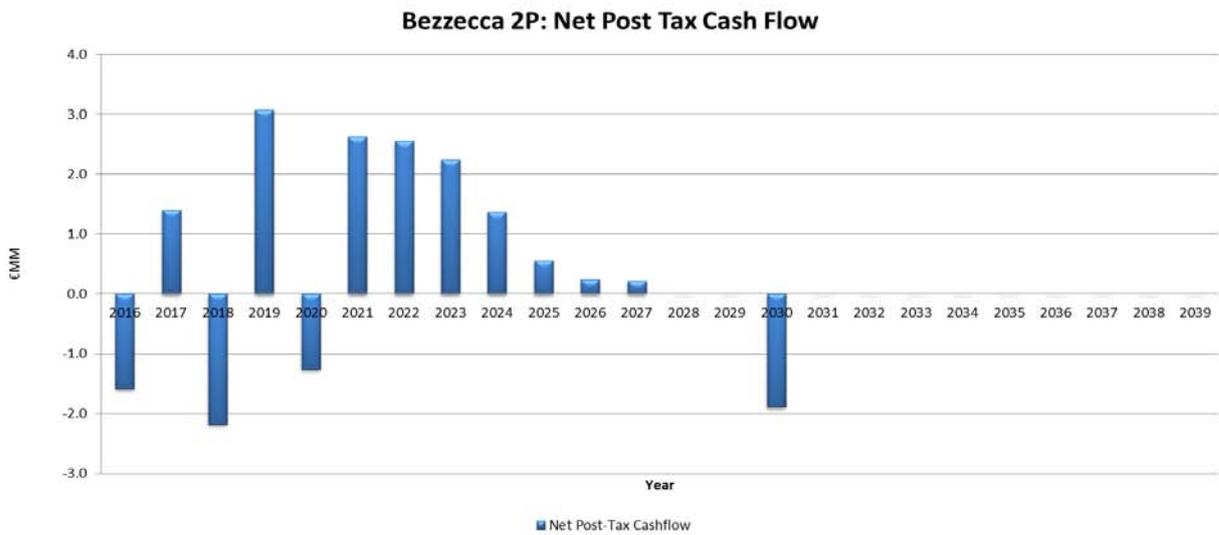


Figure 6.2 Annual Net Cash Flow Bezzecca-2P

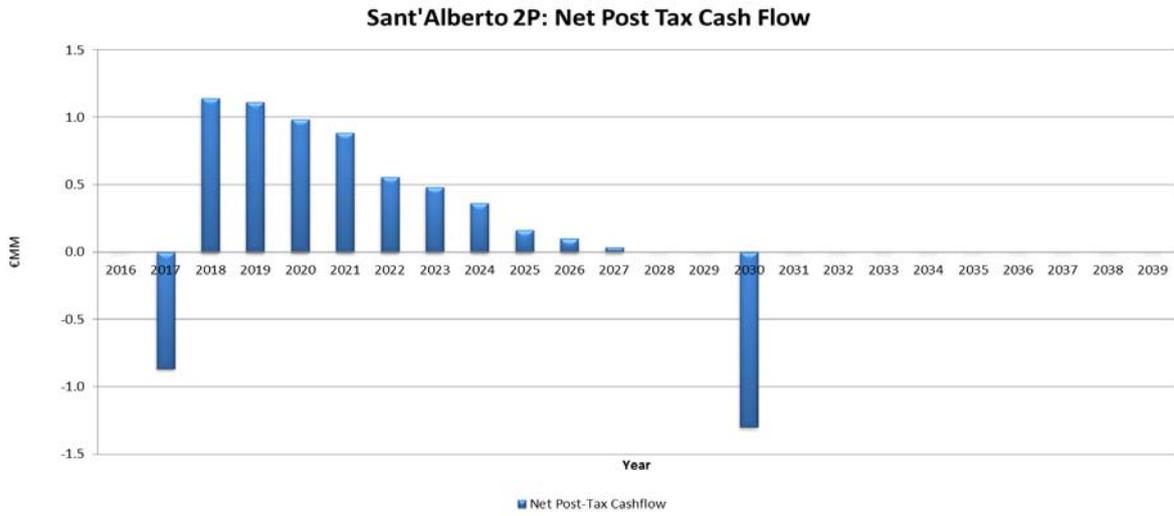


Figure 6.3 Annual Net Cash Flow Sant'Alberto 2P

7 APPENDIX A: FACILITIES/WELL COSTINGS

Sillaro (€MM)		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Econ Limit+2
1P	Well Capex																	
	Facilities Capex																	
	Abex																	1.70
	Opex Fixed	0.12																
Variable Opex (€/Mm3)		20.00																
2P	Well Capex			3.38														
	Facilities Capex																	
	Abex																	2.32
	Opex Fixed	0.12	0.29	0.29	0.29	0.29	0.27	0.26	0.25									
Variable Opex (€/Mm3)		20.00	20.00	20.00	20.00	20.00	19.00	18.00	17.00									
3P	Well Capex			3.50		0.12												
	Facilities Capex																	
	Abex																	2.32
	Opex Fixed	0.12	0.29	0.29	0.29	0.29	0.29	0.27	0.26	0.25								
Variable Opex (€/Mm3)		20.00	20.00	20.00	20.00	20.00	20.00	19.00	18.00	17.00								

Bezzecca (€MM)		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Econ Limit+2
1P	Well Capex			4.04		3.92												
	Facilities Capex	1.76																
	Abex																	2.10
	Opex Fixed		0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.27	0.26							
Variable Opex (€/Mm3)			20.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	18.00							
2P	Well Capex			4.04		3.92												
	Facilities Capex	1.76																
	Abex																	2.10
	Opex Fixed		0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.27	0.26	0.25					
Variable Opex (€/Mm3)			20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	18.00	17.00					
3P	Well Capex			4.04		3.92												
	Facilities Capex	1.76																
	Abex																	2.10
	Opex Fixed		0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.27	0.26	0.25				
Variable Opex (€/Mm3)			20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	18.00	17.00				

Sant'Alberto (€MM)		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	Econ Limit+2
1P	Well Capex																	
	Facilities Capex		1.3															
	Abex																	1.3
	Opex Fixed		0.53	0.53	0.53	0.53	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.27	0.26	0.25		
Variable Opex (€/Mm3)			20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	18.00	17.00		
2P	Well Capex																	
	Facilities Capex		1.3															
	Abex																	1.3
	Opex Fixed		0.53	0.53	0.53	0.53	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.27	0.26	0.25		
Variable Opex (€/Mm3)			20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	18.00	17.00		
3P	Well Capex				2.50													
	Facilities Capex		1.31															
	Abex																	2.0
	Opex Fixed		0.53	0.53	0.53	0.53	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.27	0.26	0.25		
Variable Opex (€/Mm3)			20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	19.00	18.00	17.00		

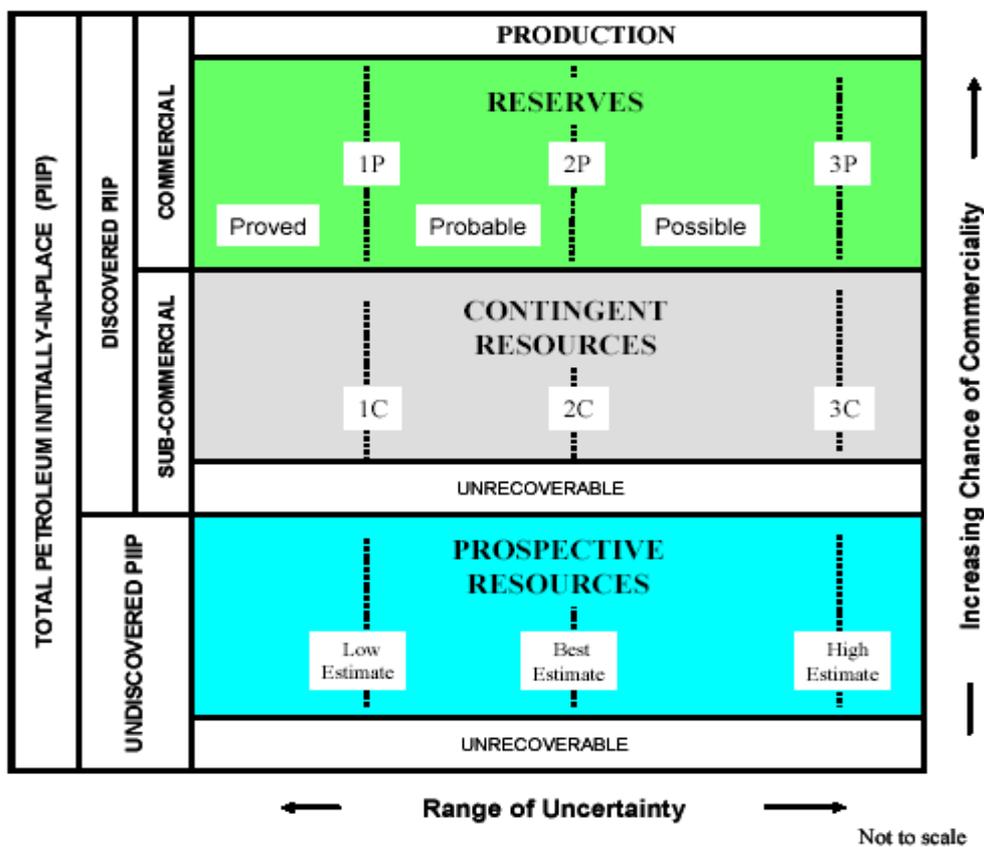
Notes:

- 1 Costs are stated 100% project and in 2017 real terms
- 2 M= Thousand
- 3 Profiles are to the technical limit; economic cut-off may be earlier

8 APPENDIX B: DEFINITIONS

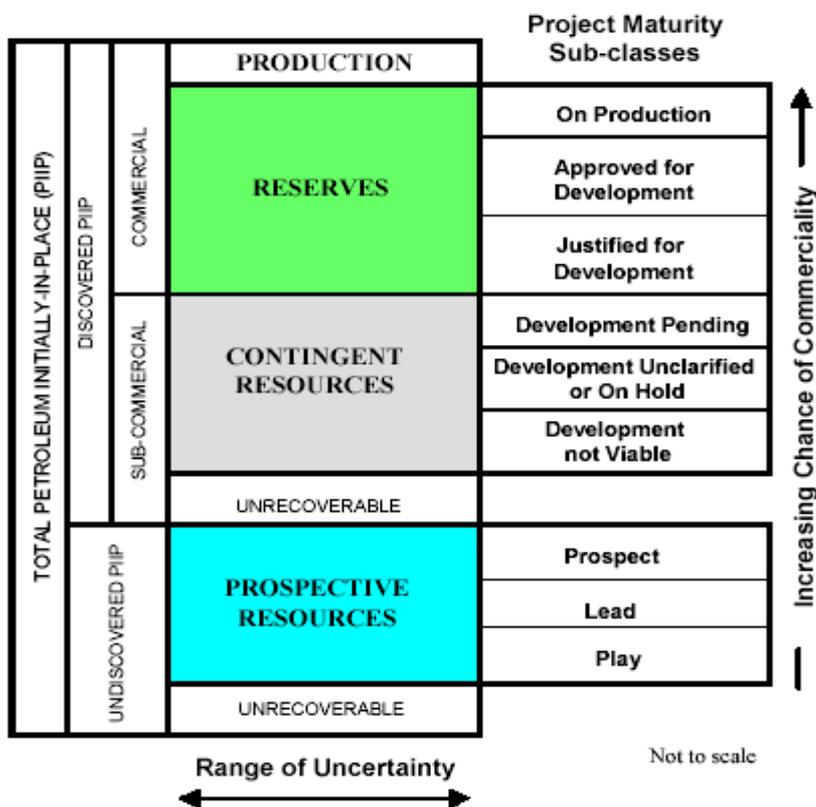
8.1 Definitions

The petroleum reserves and resources definitions used in this report are those published by the Society of Petroleum Engineers and World Petroleum Congress in 1998, supplemented with guidelines for their evaluation, published by the Society of Petroleum Engineers in 2001 and 2007. The main definitions and extracts from the SPE Petroleum Resources Management System (2007) are presented below.



Source: SPE Petroleum Resources Management System 2007

Figure 8.1 Resources Classification Framework



Source: SPE Petroleum Resources Management System 2007

Figure 8.2 Resources Classification Framework: Sub-classes based on Project Maturity

8.1.1 Total Petroleum Initially-In-Place

Total Petroleum Initially-In-Place is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production plus those estimated quantities in accumulations yet to be discovered (equivalent to “total resources”).

8.1.2 Discovered Petroleum Initially-In-Place

Discovered Petroleum Initially-In-Place is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations prior to production.

8.1.3 Undiscovered Petroleum Initially-In-Place

Undiscovered Petroleum Initially-In-Place is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.

8.2 Production

Production is the cumulative quantity of petroleum that has been recovered at a given date. Production is measured in terms of the sales product specifications and raw production (sales plus non-sales) quantities required to support engineering analyses based on reservoir voidage.

8.3 Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations, from a given date forward, under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status.

The following outlines what is necessary for the definition of Reserve to be applied.

- A project must be sufficiently defined to establish its commercial viability
- There must be a reasonable expectation that all required internal and external approvals will be forthcoming
- There is evidence of firm intention to proceed with development within a reasonable time frame
- A reasonable timetable for development must be in evidence
- There should be a development plan in sufficient detail to support the assessment of commerciality
- A reasonable assessment of the future economics of such development projects meeting defined investment and operating criteria must have been undertaken
- There must be a reasonable expectation that there will be a market for all, or at least the expected sales quantities, of production required to justify development
- Evidence that the necessary production and transportation facilities are available or can be made available
- Evidence that legal, contractual, environmental and other social and economic concerns will allow for the actual implementation of the recovery project being evaluated

The “decision gate” whereby a Contingent Resource moves to the Reserves class is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.

A reasonable time frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time frame could be applied where, for example, development of economic projects are deferred at the option of the producer for, among other things, market-related reasons, or to meet contractual or strategic objectives.

8.3.1 Developed Producing Reserves

Developed Producing Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate.

Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well.

Improved recovery reserves are considered producing only after the improved recovery project is in operation.

8.3.2 Developed Non-Producing Reserves

Developed Non-producing Reserves include shut-in and behind-pipe reserves.

Shut-in reserves are expected to be recovered from:

- Completion intervals that are open at the time of the estimate but that have not yet started producing
- Wells that were shut-in for market conditions or pipeline connections, or
- Wells not capable of production for mechanical reasons.

Behind-pipe reserves are expected to be recovered from zones in existing wells that will require additional completion work or future recompletion prior to start of production.

In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

8.3.3 Undeveloped Reserves

Undeveloped Reserves are quantities expected to be recovered through future investments such as

- From new wells on undrilled acreage in known accumulations
- From deepening existing wells to a different (but known) reservoir
- From infill wells that will increase recovery, or
- Where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to:
 - Recomplete an existing well or
 - Install production or transportation facilities for primary or improved recovery projects

Incremental recoveries through improved recovery methods that have yet to be established through routine, commercially successful applications are included as Reserves only after a favourable production response from the subject reservoir from either (a) a representative pilot or (b) an installed program, where the response provides support for the analysis on which the project is based.

Where reserves remain undeveloped beyond a reasonable timeframe, or have remained undeveloped due to repeated postponements, evaluations should be critically reviewed to document reasons for the delay in initiating development and justify retaining these quantities within the Reserves class. While there are specific circumstances where a longer delay is justified, a reasonable time frame is generally considered to be less than five years.

8.3.4 Proved Reserves

Proved Reserves are those quantities of petroleum that, by analysis of geological and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under current economic conditions, operating methods, and government regulations.

If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate.

8.3.5 Probable Reserves

Probable Reserves are those additional reserves that analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved + Probable Reserves (2P).

When probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.

8.3.6 Possible Reserves

Possible Reserves are those additional reserves that analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved + Probable + Possible (3P), which is equivalent to the high estimate scenario.

When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.

8.4 Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.

The term accumulation is used to identify an individual body of moveable petroleum. The key requirement in determining whether an accumulation is known (and hence contains Reserves or Contingent Resources) is that each accumulation/reservoir must have been penetrated by a well. In general, the well must have clearly demonstrated the existence of moveable petroleum in that reservoir by flow to surface, or at least some recovery of a sample of petroleum from the well. However, where log and/or core data exist, this may suffice provided there is a good analogy to a nearby, geologically comparable, known accumulation.

Estimated recoverable quantities within such discovered (known) accumulation(s) shall initially be classified as Contingent Resources pending definition of projects with sufficient chance of commercial development to reclassify all, or a portion, as Reserves.

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively.

1C denotes low estimate scenario of Contingent Resources

2C denotes best estimate scenario of Contingent Resources

3C denotes high estimate scenario of Contingent Resources

Contingent Resources are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.

8.4.1 Contingent Resources: Development Pending

1C Contingent Resources are a discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future. The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g. drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are expected to be resolved within a reasonable time frame.

8.4.2 Contingent Resources: Development Un-Clarified/On Hold

2C Contingent Resources are a discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay. The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are on hold pending the removal of significant contingencies external to the project, or substantial further appraisal/evaluation activities are required to clarify the potential for eventual commercial development.

8.4.3 Contingent Resources: Development Not Viable

3C Contingent Resources are a discovered accumulation for which there are no current plans to develop or to acquire additional data at the time due to limited production potential. The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognised in the event of a major change in technology or commercial conditions.

8.5 Prospective Resources

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. They are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

8.5.1 Prospect

A Prospect is classified as a potential accumulation that is sufficiently well defined to represent a viable drilling target.

8.5.2 Lead

A Lead is classified as a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation in order to be classified as a prospect.

8.5.3 Play

A Play is classified as a prospective trend of potential prospects that requires more data acquisition and/or evaluation in order to define specific Leads or Prospects.

8.6 Unrecoverable Resources

Unrecoverable Resources are that portion of Discovered or Undiscovered Petroleum Initially-in-Place quantities that are estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

9 APPENDIX C: NOMENCLATURE

acre	43,560 square feet	et al.	and others
AOF	absolute open flow	EUR	estimated ultimately recoverable (reserves)
API	American Petroleum Institute (°API for oil gravity, API units for gamma ray measurement)	FPSO	Floating production storage unit
av.	Average	ft/s	feet per second
AVO	Amplitude vs. Off-Set	G & A	general & administration
BBO	billion (10 ⁹) barrels of oil	G & G	geological & geophysical
bbbl, bbls	barrel, barrels	g/cm ³	grams per cubic centimetre
BCF	billion cubic feet	Ga	billion (10 ⁹) years
bcm	billion cubic metres	GIIP	gas initially in place
BCPD	barrels of condensate per day	GIS	Geographical Information Systems
BHT	bottom hole temperature	GOC	gas-oil contact
BHP	bottom hole pressure	GOR	gas to oil ratio
BOE	barrel of oil equivalent, with gas converted at 1 BOE = 6,000 scf	GR	gamma ray (log)
BOPD	barrels of oil per day	GWC	gas-water contact
BPD	barrels per day	H ₂ S	hydrogen sulphide
Btu	British thermal units	ha	hectare(s)
BV	bulk volume	HI	hydrogen index
c.	circa	HP	high pressure
CCA	conventional core analysis	Hz	hertz
CD-ROM	compact disc with read only memory	IDC	intangible drilling costs
cgm	computer graphics meta file	IOR	improved oil recovery
CNG	compressed natural gas	IRR	internal rate of return
CO ₂	carbon dioxide	J & A	junked & abandoned
COE	crude oil equivalent	km	kilometres (1,000 metres)
1-D, 2-D, 3-D	1-, 2-, 3-dimensions	km ²	square kilometres
DHI	direct hydrocarbon indicators	kWh	kilowatt-hours
DHC	dry hole cost	LoF	life of field
DPT	deeper pool test	LP	low pressure
DROI	discounted return on investment	LST	lowstand systems tract
DST	drill-stem test	LVL	low-velocity layer
DWT	deadweight tonnage	M & A	mergers & acquisitions
E	East	m	metres
E & P	exploration & production	M	thousands
EAEG	European Association of Exploration Geophysicists	MM	million
e.g.	for example	m ³ /day	cubic metres per day
EOR	enhanced oil recovery	Ma	million years (before present)
ESP	Electrical Submersible Pump	mbdf	metres below derrick floor
		mbsl	metres below sea level
		MBOPD	thousand bbls of oil per day
		MCFD	thousand cubic feet per day

MCFGD	thousand cubic feet of gas per day	∅	porosity
mD	millidarcies	plc	public limited company
MD	measured depth	por.	porosity
mdst.	mudstone	poroperm	porosity-permeability
MFS	maximum flooding surface	ppm	parts per million
mg/gTOC	units for hydrogen index	PRMS	Petroleum Resource Management System (SPE)
mGal	milligals		
MHz	megahertz	psi	pounds per square inch
Mm ³	thousand cubic metres	RFT	repeat formation test
MMm ³	million cubic metres	ROI	return on investment
ml	millilitres	ROP	rate of penetration
mls	miles	RT	rotary table
MMBO	million bbls of oil	S	South
MMBOE	million bbls of oil equivalent	SCAL	special core analysis
MMBOPD	million bbls of oil per day	SCF	standard cubic feet, measured at 14.7 pounds per square inch and 60 degrees Fahrenheit
MCFGD	million cubic feet of gas per day		
MMTOE	million tons of oil equivalent		
mmsl	metres below mean sea level	SCF/STB	standard cubic feet per stock tank barrel
mN/m	interfacial tension measured unit	SPE	Society of Petroleum Engineers
MPa	megapascals	SS	sub-sea
mSS	metres subsea	ST	sidetrack (well)
m/s	metres per second	STB	stock tank barrels
msec	millisecond(s)	std. dev.	standard deviation
MSL	mean sea level	STOIP	stock tank oil initially in place
N	north	Sw	water saturation
NaCl	sodium chloride	TCF	trillion (10 ¹²) cubic feet
NFW	new field wildcat	TD	total depth
NGL	natural gas liquids	TDC	tangible drilling costs
NPV	net present value	Therm	105 Btu
no.	number (not #)	TVD	true vertical depth
OAE	oceanic anoxic event	TVDSS	true vertical depth subsea
OI	oxygen index	TWT	two-way time
OWC	oil-water contact	US\$	US dollar, the currency of the United States of America
P90 or 1P	proved		
P50 or 2P	proved + probable	UV	ultra-violet
P10 or 3P	proved + probable + possible	VDR	virtual dataroom
P & A	plugged & abandoned	W	West
pbu	pressure build-up	WHFP	wellhead flowing pressure
perm.	permeability	WHSP	wellhead shut-in pressure
PESGB	Petroleum Exploration Society of Great Britain	WD	water depth
pH	-log H ion concentration	wt%	percent by weight
phi	unit grain size measurement	XRD	X-ray diffraction (analysis)

PART 5

SECTION 1: Historical Financial Information on Saffron Energy Plc

STATEMENT OF FINANCIAL POSITION

	<i>As at</i>
	<i>31 December</i>
	<i>2016</i>
<i>Notes</i>	<i>€'000</i>
Current assets	
Cash at bank and in hand	60
Equity	
Called up share capital	2
	<u>60</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

Basis of accounting

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

2. Share capital

	<i>As at</i>
	<i>31 December</i>
	<i>2016</i>
	<i>€'000</i>
Allotted, called up and fully paid:	
50,000,000 ordinary shares of £0.001p each	<u>60</u>

The Company was incorporated on 10 November 2016 with Company Number 10472005 with a share capital of £1 divided into 1 ordinary share which was issued fully paid for cash to the subscribers to the Memorandum of Association of the Company. Additionally, on 10 November 2016, Po Valley Energy Limited subscribed for 49,999 ordinary shares of £1 each, fully paid for cash at par, and the one ordinary share was transferred from the subscribers to Po Valley Energy Limited. On 9 December 2016 the shareholders resolved to sub-divide the 50,000 ordinary shares of £1 each into 50,000,000 ordinary shares of £0.001 each.

3. Nature of financial information

The financial information presented above in respect of the period ended 31 December 2016 in which trading has not commenced does not constitute statutory accounts for that period.

SECTION 2: Accountant's Report on the Historical Financial Information of Saffron Energy Plc

The following is the full text of a report on Saffron Energy Plc from Chapman Davis LLP, the Reporting Accountants, to the Directors of Saffron Energy Plc and to Grant Thornton UK LLP.

Chapman
Davis LLP

CHARTERED ACCOUNTANTS

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2 CHAPEL COURT LONDON SE1 1HH

The Directors
Saffron Energy Plc
27-28 East Castle Street
London W1W 8DH

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

21 February 2017

Dear Sirs,

SAFFRON ENERGY PLC (THE "COMPANY")

Introduction

We report in connection with the proposed placing of ordinary shares of the Company ("*the Placing*") and admission of the ordinary share capital of the Company to trading on the AIM Market operated by the London Stock Exchange and this report has been prepared for inclusion in the Admission Document dated 21 February 2017 ("*Admission Document*").

The Company was incorporated on 10 November 2016 with Company Number 10472005 with a share capital of £1 divided into 1 ordinary share of £1 which was issued fully paid for cash to the subscribers to the Memorandum of Association of the Company. Additionally, on 10 November 2016, Po Valley Energy Limited subscribed for 49,999 ordinary shares of £1 each, fully paid for cash at par, and the one ordinary share was transferred from the subscribers to Po Valley Energy Limited. On 9 December 2016 the shareholders resolved to sub-divide the 50,000 ordinary shares of £1 each into 50,000,000 ordinary shares of £0.001 each.

On 7 December 2016 the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to the Companies Act 2006, as amended.

Other than entering into agreements to pay certain expenses and costs in connection with Admission, no material contracts or transactions have been entered into.

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no other transactions other than the allotment of shares described above and the execution of the material contracts referred to in Part 6 of the Admission Document. Accordingly, no profit and loss account information is presented in this report.

Basis of preparation

The financial information set out below has been extracted from financial records of the Company for the period ended 31 December 2016, no adjustments being considered necessary. No audited financial statements have been prepared for submission to members in respect of any period since incorporation.

Responsibility

The Directors of the Company (the “**Directors**”) are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance International Financial Reporting Standards (IFRSs) as adopted by the European Union.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by an such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Declaration

For the purposes of the AIM Rules, we are responsible for this report as part of the admission procedure and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully,

Chapman Davis LLP
Chartered Accountants

SECTION 3: Historical Financial Information on Northsun Italia S.p.A
INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME STATEMENT

		<i>Year Ended</i> <i>31 December</i>	<i>Year Ended</i> <i>31 December</i>	<i>Year Ended</i> <i>31 December</i>	<i>6 Months</i> <i>Ended</i> <i>30 June</i>
	<i>Note</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
		<i>€'000s</i>	<i>€'000s</i>	<i>€'000s</i>	<i>€'000s</i>
Revenue		4,627	3,365	1,704	327
Operating costs		(756)	(494)	(772)	(196)
Depreciation and amortisation expenses	5	(1,617)	(1,393)	(1,024)	(337)
Gross profit/(loss)		2,254	1,478	(93)	(206)
Other income		162	128	165	25
Employee benefits – corporate	4	(1,157)	(955)	(996)	(422)
Depreciation expense	5	(17)	(14)	(14)	(5)
Corporate overheads	6	(950)	(605)	(669)	(209)
Impairment	10,11	(5,021)	–	(1,336)	(395)
Exploration costs expensed	11	(73)	(19)	(29)	(2)
Loss on sale of projects		–	–	(822)	–
Loss from operating activities		(4,801)	14	(3,794)	(1,214)
Finance income		13	–	–	–
Finance expense		(474)	(141)	(81)	(29)
Net finance expense		(460)	(141)	(81)	(29)
Loss before income tax expense		(5,261)	(127)	(3,875)	(1,243)
Income tax (expense)/credit	7	216	(38)	(154)	–
Loss for the period		(5,045)	(165)	(4,029)	(1,243)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the period		(5,045)	(165)	(4,029)	(1,243)

STATEMENT OF FINANCIAL POSITION AS AT

	Note	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Current Assets					
Cash and cash equivalents		1,102	1,428	2,410	9
Trade and other receivables	8	3,508	2,730	1,198	1,213
Total current assets		<u>4,609</u>	<u>4,158</u>	<u>3,608</u>	<u>1,222</u>
Non-Current Assets					
Inventory – spares and consumables		635	784	733	733
Other assets		28	30	30	6
Deferred tax assets	9	1,695	1,710	1,489	1,489
Property, plant & equipment	10	2,588	2,220	1,925	1,814
Resource property costs	11	10,512	10,300	6,885	6,261
Total non-current assets		<u>15,459</u>	<u>15,044</u>	<u>11,062</u>	<u>10,303</u>
Total assets		<u>20,068</u>	<u>19,202</u>	<u>14,670</u>	<u>11,525</u>
Liability and equity					
Current Liabilities					
Trade and other payables	12	6,894	6,455	5,503	4,305
Provisions	13	84	94	141	29
Total current liabilities		<u>6,978</u>	<u>6,549</u>	<u>5,644</u>	<u>4,334</u>
Non-Current Liabilities					
Parent company loans	14	11,982	11,570	11,611	5,218
Provisions	13	3,115	3,256	3,616	3,708
Total non-current liabilities		<u>15,097</u>	<u>14,825</u>	<u>15,227</u>	<u>8,926</u>
Total Liabilities		<u>22,075</u>	<u>21,374</u>	<u>20,871</u>	<u>13,260</u>
Equity					
Issued capital	15	10,000	10,000	10,000	10,000
Deferred capital	16	5,245	5,245	5,245	10,954
Accumulated losses		(17,276)	(17,441)	(21,470)	(22,713)
Other reserves		24	24	24	24
Total equity		<u>(2,007)</u>	<u>(2,172)</u>	<u>(6,201)</u>	<u>(1,735)</u>
Total equity and liabilities		<u>20,068</u>	<u>19,202</u>	<u>14,670</u>	<u>11,525</u>

STATEMENT OF CHANGES IN EQUITY

	<i>Equity</i> €'000s	<i>Legal Reserve</i> €'000s	<i>Accumulated Losses</i> €'000s	<i>Total</i> €'000s
Balance at 1 January 2013	15,245	24	(12,231)	3,038
Total comprehensive loss				
Loss for the year	–	–	(5,045)	(5,045)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(5,045)	(5,045)
Transactions with owners recorded directly in equity:				
Contributions by owners	–	–	–	–
Balance at 31 December 2013	<u>15,245</u>	<u>24</u>	<u>(17,276)</u>	<u>(2,007)</u>
Balance at 1 January 2014	15,245	24	(17,276)	(2,007)
Total comprehensive loss:				
Loss for the year	–	–	(165)	(165)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(165)	(165)
Transactions with owners recorded directly in equity:				
Contributions by owners	–	–	–	–
Balance at 31 December 2014	<u>15,245</u>	<u>24</u>	<u>(17,441)</u>	<u>(2,172)</u>
Balance at 1 January 2015	15,245	24	(17,441)	(2,172)
Total comprehensive loss:				
Loss for the year	–	–	(4,029)	(4,029)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the year	–	–	(4,029)	(4,029)
Transactions with owners recorded directly in equity:				
Contributions by owners	–	–	–	–
Balance at 31 December 2015	<u>15,245</u>	<u>24</u>	<u>(21,470)</u>	<u>(6,201)</u>
Balance at 1 January 2016	15,245	24	(21,470)	(6,201)
Total comprehensive loss:				
Loss for the 6 months	–	–	(1,243)	(1,243)
Other comprehensive income	–	–	–	–
Total comprehensive loss for the 6 months	–	–	(1,243)	(1,243)
Transactions with owners recorded directly in equity:				
Contributions by owners	5,709	–	–	5,709
Balance at 30 June 2016	<u>20,954</u>	<u>24</u>	<u>(22,713)</u>	<u>(1,735)</u>

STATEMENT OF CASH FLOWS

	<i>Year Ended</i> 31 December	<i>Year Ended</i> 31 December	<i>Year Ended</i> 31 December	<i>6 Months</i> Ended 30 June
<i>Note</i>	2013	2014	2015	2016
	€'000s	€'000s	€'000s	€'000s
Cash flows from operating activities				
Receipts from customers	4,629	3,365	1,664	427
Payments to suppliers and employees	(1,298)	(1,582)	(1,538)	(2,074)
Interest received	14	–	–	–
Interest paid	–	–	–	–
Income tax paid	(27)	(53)	–	–
VAT refunds received	1,613	–	–	–
Net (cash used in)/generated from operating activities	<u>4,931</u>	<u>1,730</u>	<u>126</u>	<u>(1,647)</u>
Cash flows from investing activities				
Payments for non-producing property plant and equipment	(6)	(1)	(7)	–
Receipts for resource property costs from joint operations partners	–	201	65	22
Proceeds from sale of resource property project	–	–	1,850	–
Payments for resource property costs, inventory and production plant and equipment	(2,444)	(1,192)	(1,093)	(91)
Net cash generated from/(used in) investing activities	<u>(2,450)</u>	<u>(992)</u>	<u>815</u>	<u>(69)</u>
Cash flows from financing activities				
Proceeds from borrowings	–	–	674	–
Repayment of borrowings	(1,911)	(412)	(633)	(685)
Net cash (used in)/generated from financing activities	<u>(1,911)</u>	<u>(412)</u>	<u>41</u>	<u>(685)</u>
Net increase in cash and cash equivalents	<u>570</u>	<u>326</u>	<u>982</u>	<u>(2,401)</u>
Cash and cash equivalents at beginning of period	<u>532</u>	<u>1,102</u>	<u>1,428</u>	<u>2,410</u>
Cash and cash equivalents at end of period	<u>1,102</u>	<u>1,428</u>	<u>2,410</u>	<u>9</u>

NOTES TO THE FINANCIAL INFORMATION

1. REPORTING ENTITY

Northsun Italia S.p.A (*“the Company”*) is a company incorporated and domiciled in Italy primarily involved in the exploration, appraisal, development and production of gas properties in the Po Valley region in Italy.

2. BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU).

(b) BASIS OF MEASUREMENT

The financial statements from which the financial information is derived have been prepared on the basis of historical cost, subject to, where appropriate, any fair value adjustments under IFRS as described in the summary of significant accounting policies.

The accounting policies set out in the financial information have been applied consistently to all periods presented. A number of new accounting standards, amendments to standards and interpretations are effective for periods beginning on or after 1 January 2016 but do not have a significant effect on the financial information of the Company.

The following standards are issued but not yet effective and have not been applied to the financial statements from which the financial information is derived; the impact of these is not expected to be material.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from contracts with customers
- IFRS 16 Leases
- IAS 7 Statement of cash flows
- IAS 12 Income Taxes

(c) GOING CONCERN

The financial information has been prepared on a going concern basis following evaluation of the Company's forecasts and projections which take into account the availability of short-term funding from within its holding company group and mitigation actions that are within management's control.

(d) FUNCTIONAL AND PRESENTATION CURRENCY

The financial information is presented in Euro which is the Company's functional currency. Unless otherwise stated, all financial information presented has been rounded to the nearest Euro thousand.

(e) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on complex or subjective judgements and past experience of other assumptions deemed reasonable in consideration of the information

available at the time and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within subsequent financial periods are discussed below.

Impairment of non-current assets

Assets are impaired when there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. The ultimate recovery of the value of resource property costs and property plant and equipment is dependent on successful development and commercial exploitation, or alternatively, sale, of the underlying properties. The Company undertakes at least on an annual basis, a comprehensive review for indicators of impairment of these assets. Should an impairment indicator exist, the cash generating unit is tested for impairment. There is significant estimation involved in determining the inputs and assumptions used in determining the recoverability amounts.

The key areas of estimation involved in determining recoverable amounts include:

- Recent drilling results and reserves and resources estimates
- Environmental issues that may impact the underlying licenses
- The estimated market value of assets at the review date
- Fundamental economic factors such as the gas price and current and anticipated operating costs in the industry
- Future production rates

The estimated value in use is based on the present values of expected future cash flows net of disposal costs. The expected future cash flows used for impairment analyses are based on judgemental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate which considers the risks specific to the asset.

The discount rate used for impairment purposes is 12.7 per cent. which reflects an estimate of the current market valuation of the time value of money and of the specific risks of the asset not reflected in the estimate of the future cash flows.

If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is lower than the amount of the impairment loss, the assets of the cash generating unit are impaired pro-rata on the basis of their carrying amount for the residual difference.

Rehabilitation provisions

The value of these provisions represents the discounted value of the present obligations to restore, dismantle and rehabilitate each well site. Significant estimation is required in determining the provisions for rehabilitation and closure as there are many transactions and other factors that will affect ultimate costs necessary to rehabilitate the sites. The discounted value reflects a combination of management's best estimate of the cost of performing the work required, the timing of the cash flows and the discount rate.

A change in any, or a combination of, the key assumptions used to determine the provisions could have a material impact on the carrying value of the provisions. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at that time.

Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision.

Reserve estimates

Estimation of reported recoverable quantities of Proven and Probable reserves include estimates regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period.

A change in any, or a combination of, the key assumptions used to determine the reserve estimates could have a material impact on the carrying value of the project via depreciation rates or impairment assessments. The reserve estimates are reviewed at each reporting date and any changes to the estimated reserves are recognized prospectively to depreciation and amortisation. Any impact of the change in the reserves is considered on asset carrying values and impairment losses, if any, are immediately recognized in the profit or loss.

Recognition of deferred tax assets

The recoupment of deferred tax assets is dependent on the availability of profits in future years. The Company undertakes a forecasting exercise at each reporting date to assess its expected utilisation of these losses.

The key areas of estimation involved in determining the forecasts include:

- Future production rates
- Economic factors such as the gas price and current and anticipated operating costs in the industry
- Capital expenditure expected to be incurred in the future

A change in any, or a combination of, the key assumptions used to determine the estimates could have a material impact on the carrying value of the deferred tax asset. Changes to estimates are recognised in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the financial information. The most significant accounting policies used are described below.

(a) TAXATION

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity or in comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognized in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, oil and natural gas prices, reserves, operating costs, decommissioning costs, capital expenditure, dividends and other capital management transactions) and judgement about the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws in the jurisdictions in which the Company operates could limit the ability of the Company to obtain tax deductions in future periods.

Tax rate applied, based on the entity expectations at the end of each reporting period, are as follows: years 2013 and 2014: 27.5 per cent., year 2015: 24 per cent., half year 2016: 24 per cent.

(b) **IMPAIRMENT**

(i) *Financial assets (including receivables)*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in equity.

(ii) *Non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset (or CGU) may be impaired. Management has assessed its CGUs as being an individual field, which the lowest level for which cash inflows are largely independent of those of other assets. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU to which it belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount.

In calculating VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (12.7 per cent.) that reflects current market assessments of the time value of money and the risks specific to the asset/CGU.

The Company bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecasts generally cover the forecasted life of the CGUs. VIU does not reflect future cash flows associated with improving or enhancing an asset's performance.

Impairment losses of continuing operations, including impairment of inventories, are recognized in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For assets/CGUs, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's/CGU's recoverable amount since the impairment loss was recognized. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation/amortisation, had no impairment loss been recognized for the asset/CGU in prior years. Such a reversal is recognized in the statement of profit or loss and other comprehensive income.

(c) **PROPERTY, PLANT AND EQUIPMENT**

(i) *Recognition and measurement*

Items of property, plant and equipment are recorded at cost less accumulated depreciation, accumulated impairment losses and pre-commissioning revenue and expenses.

The cost of plant and equipment used in the process of gas extraction are accounted for separately and are stated at cost less accumulated depreciation and impairment costs.

Cost includes expenditure that is directly attributable to acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized within "other income" in profit or loss.

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with expenditure will flow to the Company.

(iii) *Depreciation*

Gas producing assets

When the gas plant and equipment is installed ready for use, cost carried forward will be depreciated on a unit-of-production basis over the life of the economically recoverable reserve.

The depreciation rate of gas plant and equipment incurred in the period for each project in production phase is as follows:

	2013	2014	2015	2016
Castello	12.70%	13.16%	13.96%	–
Sillaro	12.10%	17.66%	14.37%	6.03%

Oil and gas properties are depreciated using the UOP method over total proved developed and undeveloped hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field.

The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation will be impacted to the extent that actual production in the future is different from current forecast production based on total proved reserves, or future capital expenditure estimates change.

Changes to proved reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- the effect on proved reserves of differences between actual commodity prices and commodity price assumptions;
- unforeseen operational issues.

Other property, plant and equipment

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item or property, plant and equipment. The depreciation will commence when the asset is installed ready for use.

The estimated useful lives of each class of asset fall within the following ranges:

Office furniture & equipment 3-5 years

The residual value, the useful life and the depreciation method applied to an asset are reviewed at each reporting date.

(d) **FINANCIAL INSTRUMENTS**

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables. Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligation specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

(ii) *Derivative financial instruments*

Derivatives are initially recognized at fair value; attributable costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for in the profit and loss as finance income or expense.

(iii) *Share Capital*

Issued Capital

Issued Ordinary shares are classified as equity.

Deferred Capital

Deferred capital which represents the assignment of Parent Company loans to be issued as share capital post 30 June 2016 are classified as equity.

(e) **INVENTORIES**

Inventories are measured at the lower of cost and net realisable value and include expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The Company's inventories comprise parts and consumables to be utilised in future construction projects. Net realisable value is the net amount expected to be realized from the sale of inventories in circumstances where use in future operations is not anticipated.

(f) **RESOURCES PROPERTIES**

Resource property costs are accumulated in respect of each separate area of interest.

Exploration properties

Exploration properties include the cost of acquiring resource properties, mineral rights and exploration, evaluation expenditure incurred subsequent to acquisition of an area of interest and are carried at balance sheet date at cost less accumulated impairment losses.

Exploration properties are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying value amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of the exploration license in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for an evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specific area; or
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Areas of interest which no longer satisfy the above policy are considered to be impaired and are measured at their recoverable amount, with any subsequent impairment loss recognised in the profit and loss.

Development properties

Development properties represent the accumulation of all exploration, evaluation and acquisition costs in relation to areas where the technical feasibility and commercial viability of the extraction of gas resources in the area of interest are demonstrable and all key project permits, approvals and financing are in place.

Development properties are carried at balance sheet date at cost less accumulated impairment losses and when there is low likelihood of the development property being exploited, or the value of the exploitable development property has diminished below cost, the asset is written down to its recoverable amount.

Production properties

Production properties represent the accumulation of all exploration, evaluation and development and acquisition costs in relation to areas of interest in which production licences have been granted and the related project has moved to the production phase. These costs are carried at balance sheet date at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of costs is provided on the unit-of-production basis, separate calculations being performed for each area of interest. The unit-of-production base results in an amortisation charge proportional to the depletion of economically recoverable reserves. The amortisation rate incurred in the period for each project in production phase is as follows:

	2013	2014	2015	2016
Castello	12.70%	13.16%	–	–
Sillaro	12.10%	17.66%	14.37%	6.03%

Amortisation of resource properties commences from the date when commercial production commences.

When the value of the exploitable production property has diminished below cost, the asset is written down to its recoverable amount.

The Company reviews the recoverable amount of resource property costs at each reporting date to determine whether there is any indication of impairment.

(g) **PROVISIONS**

Rehabilitation costs

Long term environmental obligations are based on the Company's environmental and rehabilitation plans, in compliance with current environmental and regulatory requirements.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbances that have occurred up to the balance sheet date and abandonment of well sites and production fields. Increases due to additional environmental disturbances, relating to the development of an asset, are capitalised and recorded in resource property costs, and amortised over the remaining useful lives of the areas of interest. The net present value is determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the liability.

Annual increases in the provision relating to the unwind of the discount rate are accounted for in the income statement as finance expense.

The estimated costs of rehabilitation are reviewed annually and adjusted against the relevant rehabilitation asset, as appropriate for changes in legislation, technology or other circumstances including drilling activity and are accounted for on a prospective basis. Cost estimates are not reduced by potential proceeds from the sale of assets.

(h) **FINANCE INCOME AND EXPENSES**

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings or other payables and unwinding of the discount of provisions and changes in the fair value of financial assets through profit and loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognized in profit or loss using the effective interest method.

(i) **EMPLOYEE BENEFITS**

(i) *Long-term service benefits*

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including on-costs and expected settlement dates, and is discounted using the rates attached to the Government bonds at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

(ii) *Wages, salaries, annual leave, sick leave and non-monetary benefits*

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) *Superannuation*

The Company contributes to defined contribution superannuation plans. Contributions are recognized as an expense as they fall due.

(j) **OTHER INDIRECT TAXES**

Revenue, expenses and assets are recognized net of value added tax (“**VAT**”) except where the amount of VAT incurred is not recoverable from the taxation authority. In these circumstances, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a net basis. The VAT components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

(k) **REVENUE**

Revenues are measured at fair value of the consideration received or receivable. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably, there is no continuing management involved with the supply, and the amount of revenue can be measured reliably. Value added tax (“**VAT**”) is not chargeable on the sale of gas.

Recognition of gas sales

Gas sales revenue is recognized when control of the gas passes at the delivery point.

4. EMPLOYEE BENEFITS – CORPORATE

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Wages and salaries	994	849	847	336
Contributions to defined pension plans	163	106	149	86
	<u>1,157</u>	<u>955</u>	<u>996</u>	<u>422</u>

Included within wages and salaries are payments for Directors executive remuneration and fees to the following individuals:

M. Masterman	40	40	10	–
B. Pirola	40	40	10	–
G. Bradley	60	60	15	–
K. Eley	40	40	10	–
G. Short	40	40	10	–
S. Edmonson	136	111	120	61
G. Catalano	76	–	–	–
Total	<u>432</u>	<u>331</u>	<u>175</u>	<u>61</u>

5. DEPRECIATION AND AMORTISATION

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
<i>Sillaro:</i>				
Depreciation of Production				
Plant & Equipment	(310)	(394)	(290)	(106)
Amortisation of Resource				
Property Costs	(892)	(982)	(717)	(231)
<i>Castello:</i>				
Depreciation of Production				
Plant & Equipment	(183)	(17)	(17)	–
Amortisation of Resource				
Property Costs	(232)	–	–	–
<i>Corporate:</i>				
Other fixed assets	(17)	(14)	(14)	(5)
Total Depreciation and Amortisation	(1,634)	(1,407)	(1,038)	(342)

6. CORPORATE OVERHEADS

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Corporate overheads comprise:				
Company administration and compliance	181	122	103	59
Professional fees	251	107	109	18
Office costs	252	204	218	85
Travel and entertainment	49	45	75	16
Other expenses	217	127	164	31
	<u>950</u>	<u>605</u>	<u>669</u>	<u>209</u>

7. INCOME TAX EXPENSE

Numerical reconciliation between aggregate tax expense recognized in the statement of comprehensive income and tax expenses calculated per the statutory income tax rate.

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Loss for the period before tax	(5,261)	(127)	(3,875)	(1,243)
Income tax benefit using the Company's domestic tax rate of 27.5% to 24%	1,447	35	930	298
Current year losses and temporary differences for which no deferred tax asset was recognized	(1,296)	–	(591)	(178)
Changes in temporary differences	388	26	(85)	(25)
Other non-deductible expenses	(84)	(107)	(408)	(95)
Utilisation of tax losses	(209)	61	–	–
Tax effect of regional taxes – current	(30)	(53)	–	–
Income tax (expense)/benefit	<u>216</u>	<u>(38)</u>	<u>(154)</u>	<u>–</u>

8. TRADE AND OTHER RECEIVABLES

	<i>31 December</i> 2013 €'000s	<i>31 December</i> 2014 €'000s	<i>31 December</i> 2015 €'000s	<i>30 June</i> 2016 €'000s
Trade receivables from gas sales	1,305	395	201	84
Accrued gas sales	134	161	124	84
Indirect taxes receivable	763	175	106	106
Other receivables	–	172	147	88
Amounts due from related parties	1,306	1,827	620	851
Trade and other receivables	<u>3,508</u>	<u>2,730</u>	<u>1,198</u>	<u>1,213</u>

9. DEFERRED TAX ASSETS

Deferred tax assets have been recognized in respect of tax losses and temporary differences based on management assessment that future taxable profit will be available against which the Company can utilise the benefits therefrom. No additional potential benefit has been taken for the losses incurred in the 6 month period to 30 June 2016. Deferred tax assets have been recognized in relation to available tax losses and temporary differences as reported in the following table:

	<i>31 December</i> 2013 €'000s	<i>31 December</i> 2014 €'000s	<i>31 December</i> 2015 €'000s	<i>30 June</i> 2016 €'000s
Deferred tax assets	1,695	1,710	1,489	1,489
Total Deferred tax assets	<u>1,695</u>	<u>1,710</u>	<u>1,489</u>	<u>1,489</u>

10. PROPERTY, PLANT & EQUIPMENT

	<i>31 December</i> 2013 €'000s	<i>31 December</i> 2014 €'000s	<i>31 December</i> 2015 €'000s	<i>30 June</i> 2016 €'000s
Office Furniture & Equipment:				
<i>At cost</i>	193	193	200	200
<i>Accumulated depreciation</i>	(151)	(164)	(178)	(183)
	<u>42</u>	<u>29</u>	<u>22</u>	<u>17</u>
Gas producing plant and equipment				
<i>At cost</i>	6,958	7,014	7,034	7,034
<i>Accumulated depreciation</i>	(4,412)	(4,823)	(5,131)	(5,237)
	<u>2,546</u>	<u>2,191</u>	<u>1,903</u>	<u>1,797</u>
Total	<u>2,588</u>	<u>2,220</u>	<u>1,925</u>	<u>1,814</u>

Reconciliations:

Reconciliation of the carrying amounts for each class of plant & equipment are set out below:

Office Furniture & Equipment:

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Carrying amount at beginning of period	54	42	29	22
Additions	6	1	7	–
Depreciation expense	(18)	(14)	(14)	(5)
Carrying amount at end of period	<u>42</u>	<u>29</u>	<u>22</u>	<u>17</u>
Gas producing plant & equipment:				
Carrying amount at beginning of period	4,716	2,546	2,191	1,903
Additions	486	56	20	–
Depreciation expense	(492)	(411)	(308)	(106)
Impairment	(2,164)	–	–	–
Carrying amount at end of period	<u>2,546</u>	<u>2,191</u>	<u>1,903</u>	<u>1,797</u>
Total	<u>2,588</u>	<u>2,220</u>	<u>1,925</u>	<u>1,814</u>

11. RESOURCE PROPERTY COSTS

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Resource Property costs				
Exploration Phase	5,198	5,965	3,535	3,573
Production Phase	5,314	4,335	3,350	2,688
Total	<u>10,512</u>	<u>10,300</u>	<u>6,885</u>	<u>6,261</u>
Reconciliation of carrying amount of resource properties				
<i>Exploration Phase</i>				
Carrying amount at beginning of period	2,771	5,198	5,965	3,535
Exploration expenditure	2,138	786	390	7
Change in estimate of rehabilitation assets	362	–	(170)	33
Disposal of project	–	–	(2,621)	–
Exploration expenditure written off	(73)	(19)	(29)	(2)
Carrying amount at end of period	<u>5,198</u>	<u>5,965</u>	<u>3,535</u>	<u>3,573</u>

On December 23, 2015 the Company sold its 75 per cent. interest in the La Prospera exploration licence. The carrying amount of the disposed projects at the deal closing date was €2,621,000 and the consideration received was €1,850,000.

Resource property costs in the exploration and evaluation phase have not yet reached a stage which permits a reasonable assessment of the existence of, or otherwise, economically recoverable reserves. The ultimate recoupment of resource property costs in the exploration phase is dependent upon the successful development and exploitation, or alternatively sale, of the respective areas of interest at an amount greater than or equal to the carrying value.

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
<i>Production Phase</i>				
Carrying amount at beginning of period	9,596	5,314	4,335	3,350
Additions (net of adjustments)	(179)	–	618	(66)
Change in estimate of rehabilitation assets	(121)	–	449	30
Amortisation of producing assets	(1,125)	(979)	(716)	(231)
Impairment loss	(2,857)	–	(1,336)	(395)
Carrying amount at end of period	<u>5,314</u>	<u>4,335</u>	<u>3,350</u>	<u>2,688</u>

The Company reviewed the carrying value of its assets and cash generating units due to the following material event that took place in the 6 months to 30 June 2016:

- Unsuccessful rigless interventions were carried out in the sole producing Sillaro field.

The above event triggered an impairment charge of €395,000.

The Company reviewed the carrying value of its assets and cash generating units due to the following material events that took place during the year ended December 31, 2015:

- *Reserves and resources:* Reservoir depletion and performance resulted in production reduction at Sillaro field;
- *Gas and oil price trend:* During 2016 the global decreasing trend in oil & gas prices continued. Prices in the month of December 2015 when compared to December 2014 had declined on average by approximately 27 per cent.;
- *Increase in cost of capital:* Economic fears resulted in an increase in cost of capital for natural resources companies, and particularly for junior companies.

The above events/information triggered an impairment of €1,336,000 for the Sillaro field.

Similarly, for the year ending 31 December 2013, an impairment trigger was identified with regard to Castello as a result of a decrease in the expected daily production rate. Accordingly, the associated resource property cost and related plant and equipment (as a cash generating unit) were tested for impairment. The recoverable amount was determined by reference to a discounted cash flow forecast model and as a result of this assessment, an impairment of €2,857,000 on resource property costs and €2,164,000 on the related plant and equipment was recognized.

12. TRADE AND OTHER PAYABLES

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Trade payables	1,633	662	926	1,145
Other payables	485	397	741	453
Amounts payable to related parties	4,440	5,034	3,327	2,563
Accruals	336	362	509	144
	<u>6,894</u>	<u>6,455</u>	<u>5,503</u>	<u>4,305</u>

13. PROVISIONS

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Current:				
Employee leave entitlements	84	94	76	29
Other provisions	–	–	65	–
	<u>84</u>	<u>94</u>	<u>141</u>	<u>29</u>
Non Current:				
Restoration provision	<u>3,115</u>	<u>3,256</u>	<u>3,616</u>	<u>3,708</u>
Reconciliation of restoration provision:				
Opening balance	2,746	3,115	3,256	3,616
(Decrease)/Increase in provision due to revised estimates	241	–	279	63
Increase in provision from unwind of discount rate	<u>128</u>	<u>141</u>	<u>81</u>	<u>29</u>
Closing balance	<u>3,115</u>	<u>3,256</u>	<u>3,616</u>	<u>3,708</u>

14. LOANS AND BORROWINGS

	31 December 2013 €'000s	31 December 2014 €'000s	31 December 2015 €'000s	30 June 2016 €'000s
Loan with parent company	<u>11,982</u>	<u>11,570</u>	<u>11,611</u>	<u>5,218</u>

The loan is unsecured and repayable on demand in Euro and is payable to the ultimate parent company, Po Valley Energy Limited. Po Valley Energy Limited intends to and will refrain from demanding repayment of any amount owing by the Company, where to do so would affect the ability of the Company to meet its liabilities as and when they fall due.

15. ISSUED CAPITAL

	Number	€'000
Issued Capital		
Opening balance – 1 January 2013	19,231	10,000
Shares issued	–	–
Closing balance – 30 June 2016	<u>19,231</u>	<u>10,000</u>

All ordinary shares are fully paid and carry one vote per share and the right to dividends. In the event of winding up the Company, ordinary shareholders rank after creditors. Ordinary shares have a par value of €520. There were no changes to the issued capital of the Company during the period 1 January 2013 to 30 June 2016.

No dividends were paid or declared during the period 1 January 2013 to 30 June 2016.

16. DEFERRED CAPITAL

This represents the assignment of Parent Company loans to be issued as share capital post 30 June 2016.

17. FINANCIAL INSTRUMENTS

The fair values of financial assets and financial liabilities are identical to the carrying amounts in the financial information as at all period ends.

18. FINANCIAL RISK MANAGEMENT

Exposure to credit, market and liquidity risks arise in the normal course of the Company's business.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk recognition and management are viewed as integral to the Company's objectives of creating and maintaining shareholder value, and the successful execution of the Company's strategies in gas exploration and development. The Board as a whole is responsible for oversight of the processes by which risk is considered for both ongoing operations and prospective actions. In specific areas, it is assisted by the Parent's Audit and Risk Committee. Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately addressed.

(i) **Credit risk**

The Company invests in short term deposits and trades with recognized, creditworthy third parties. There is a concentration of credit risk in relation to receivables due to indirect tax from the Italian tax authorities.

Management has a credit policy in place whereby credit evaluations are performed on all future customers and parties the Company deals with. The exposure to credit risk is monitored on an ongoing basis.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) **Market Risk**

Interest rate risk

The Company is primarily exposed to interest rate risk arising from its cash and cash equivalents.

Currency risk

The Company is exposed to currency risk in respect to monetary assets and liabilities held in currencies other than Euro. The Company does not currently hold any monetary assets or liabilities in any currency other than Euro.

(iii) **Capital Management**

The Company's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of the business.

The Company's capital management is dependent upon the funding provided by its parent Company, Po Valley Energy Limited, a Company listed on the Australian Stock Exchange.

The Company is not subject to externally imposed capital requirements.

(iv) **Liquidity Risk**

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. Refer to the Going Concern note 2(c) for further commentary.

19. COMMITMENTS AND CONTINGENCIES

There are no material commitments or contingent liabilities not provided for in the financial statements of the Company as at 31 December 2013, 2014 and 2015 and as at 30 June 2016.

20. RELATED PARTIES

Parent and Ultimate Controlling Party

The Company is a wholly-owned subsidiary of Po Valley Energy Limited, a Company registered in Australia.

The company is financed by a loan from its parent, the period end balances being disclosed in note 14.

This loan has historically been interest bearing until 2014, unsecured and repayable at call.

Other Related Parties

The Company has amounts payable to and repayable from Po Valley Operations Pty Ltd, a member of the Po Valley Energy group, in relation to recharges relating to share of costs and revenue from licences commonly owned and the period end balances are disclosed in note 12 and note 8 respectively.

21. SUBSEQUENT EVENTS

On 12 September 2016, the Company signed a master contract with TESI Srl for the construction of the pipeline and related tie in activities of Bezzecca-1 to the existing Vitalba plant in the Company's production concession Cascina Castello.

In light of the intended listing of Northsun Italia Spa via Saffron Energy Plc within the calendar year, on 1 July 2016, the parent company Po Valley Energy Limited acknowledged and approved the conversion of the intercompany loan with the Company to equity reserves as at the same date in the amount of €4,334,247.64. As a result, the intercompany loan balance between the Company and its parent Po Valley Energy Limited as at 1 July 2016 was nil.

22. SEGMENT REPORTING

The Company operates in a single geographical area, Italy, and in a single business segment, the exploration, development and production of gas.

SECTION 4: Accountant's Report on the Historical Financial Information of Northsun Italia S.p.A

The following is the full text of a report on Northsun Italia S.p.A from Chapman Davis LLP, the Reporting Accountants, to the Directors of Saffron Energy Plc and to Grant Thornton UK LLP.

Chapman
Davis LLP

CHARTERED ACCOUNTANTS

Tel. 020 7357 6008

Fax. 020 7357 6159

Email. cd@chapct.co.uk

2 CHAPEL COURT LONDON SE1 1HH

The Directors
Saffron Energy Plc
27-28 East Castle Street
London W1W 8DH

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

21 February 2017

Dear Sirs,

NORTHSUN ITALIA SPA ("NSI")

Introduction

We report in connection with the proposed placing of ordinary shares in Saffron Energy Plc ("**the Placing**") and admission of the ordinary share capital of Saffron Energy Plc ("**Saffron**") to trading on the AIM Market operated by the London Stock Exchange and this report has been prepared for inclusion in the Admission Document dated 21 February 2017.

Responsibility

The Directors of Saffron (the "**Directors**") are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance with applicable International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies.

The financial information has been based on the audited financial statements of NSI for the 6 month period ending 30 June 2016 and for the years ending 31 December 2013, 2014 and 2015, to which no adjustments were considered necessary.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of NSI as at the dates stated and of its results for the periods then ended in accordance with the basis of preparation set out in note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of the AIM Rules, we are responsible for this report as part of the admission procedure and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully,

Chapman Davis LLP
Chartered Accountants

SECTION 5: UNAUDITED PRO-FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following is the full text of a report on Saffron Energy Plc from Chapman Davis LLP, the Reporting Accountants, to the Directors of Saffron Energy Plc and to Grant Thornton UK LLP.

Chapman
Davis LLP

CHARTERED ACCOUNTANTS

Tel. 020 7357 6008
Fax. 020 7357 6159
Email. cd@chapct.co.uk

2 CHAPEL COURT LONDON SE1 1HH

The Directors
Saffron Energy Plc
27-28 East Castle Street
London W1W 8DH

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

21 February 2017

Dear Sirs,

We report on the *pro forma* statement of net assets on Admission as set out in Part 5 Section 6 of the Admission Document dated 21 February 2017, which has been prepared, for illustrative purposes only, to provide information about how the Placing, Subscription and reorganization will affect the net assets presented.

Responsibilities

It is the responsibility solely of the Directors of Saffron Energy Plc to prepare the *pro forma* statement of net assets.

It is our responsibility to form an opinion on the *pro forma* statement of net assets on Admission and to report our opinion to you. We do not accept any responsibility for any reports previously given by us or any financial information used in the compilation of the *pro forma* statement of net assets beyond that owed to those to whom the reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *pro forma* statement of net assets on Admission with the Directors of Saffron Energy Plc.

Opinion

In our opinion:

- (i) the *pro forma* statement of net assets on Admission has been properly compiled on the basis stated;
- (ii) such basis is consistent with the accounting policies of Saffron Energy Plc; and
- (iii) the adjustments are appropriate for the purposes of the *pro forma* statement of net assets on Admission as disclosed.

Yours faithfully,

Chapman Davis LLP
Chartered Accountants

SECTION 6: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

	<i>Saffron Energy Plc As per accountants' report as at 31 December 2016 (Note 1) €'000</i>	<i>North Sun Italia SpA As per accountants' report as at 30 June 2016 (Note 1) €'000</i>	<i>Equity subscription in NSI and non-current assets acquired (Note 2) €'000</i>	<i>Placing and Subscription proceeds and Costs of admission (Note 3) €'000</i>	<i>Pro forma adjusted net assets of The Group on admission to AIM €'000</i>
Non-current assets					
Inventory and other assets	–	739	–	–	739
Property, plant & equipment	–	1,814	–	–	1,814
Resource Property Costs	–	6,261	4,110	–	10,371
Deferred tax assets	–	1,489	–	–	1,489
Total non-current assets	–	10,303	4,110	–	14,413
Current assets					
Trade and other receivables	–	1,213	(884)	–	329
Cash & cash equivalents	60	9	–	2,260	2,329
Total current assets	60	1,222	(884)	2,260	2,658
Total assets	60	11,525	3,226	2,260	17,071
Non-current liabilities					
Parent loans	–	5,218	(5,218)	–	–
Provisions	–	3,708	1,240	–	4,948
Total non-current liabilities	–	8,926	(3,978)	–	4,948
Current liabilities					
Short term loans (note 5)	–	2,563	(1,975)	–	588
Trade and other payables	–	1,742	–	–	1,742
Provisions	–	29	–	–	29
Total current liabilities	–	4,334	(1,975)	–	2,359
Total liabilities	–	13,260	(5,953)	–	7,307
Total net assets/(liabilities)	60	(1,735)	9,179	2,260	9,764

Notes:

- The Pro Forma Statement of Net Assets on Admission is unaudited and save for the adjustments noted below, no trading or transactions by Saffron Energy Plc and Northsun Italian S.p.A. ("**NSI**") have been accounted for since 31 December 2016 and 30 June 2016 respectively.
- The conversion of parent company loans to Equity within NSI less group receivables amounting to €4,334,000 and the conversion of short term loans from Po Valley Operations Ltd amounting to €1,974,840. The acquisition of the following non-current assets less associated provisions held within Po Valley Operations Ltd at the agreed valuation of €2,870,000 to bring NSI's holding in the assets to 100 per cent. of the respective assets satisfied by the issue of equity in NSI:
 - 35.0% of Sillaro – Resource Property €1.665 million, less provision €0.685 million
 - 67.5% of Sant'Alberto – Resource Property €2.445 million, less provision €0.555 million
- The receipt of the proposed placing and subscription proceeds of €2,935 million less admission costs of €0.675 million, resulting in a cash positive adjustment of €2.260 million.
- The Equity subscription in Saffron Energy to acquire the 100 per cent. holding in NSI and the consolidation of the new enlarged Group does not affect the disclosures above.
- The above adjustments do not reflect the short-term loans received in the period from 1 July 2016 to 31 January 2017 of €683,000 nor their proposed repayment out of the net placing proceeds.
- The above adjustments do not reflect the repayment of trade payables of €683,000 out of the net placing proceeds.

PART 6

ADDITIONAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names appear on page 9 of this document accept full responsibility for the information contained in this document including, individually and collectively, responsibility for the Company's compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (having taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import thereof.

2. THE COMPANY

- 2.1 The Company was incorporated and registered on 10 November 2016 in England and Wales under the 2006 Act as a public company limited by shares with the name Saffron Energy Plc and with registered number 10472005. On 7 December 2016, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to the 2006 Act.
- 2.2 The Company's legal and commercial name at the date of this document is Saffron Energy Plc. The Company is domiciled in England and Wales. The primary legislation under which the Company operated is the 2006 Act and any regulations made thereunder. The Company has not changed its name since its incorporation.
- 2.3 The Company's registered office is 27–28 East Castle Street, London W1W 8DH. The Company's principal place of business is Via Francesco Crispi 90, 00187, Roma, Italy where its telephone number is +39 06 4201 4968 and its facsimile number +39 06 4890 5824.
- 2.4 Saffron is not currently registered for VAT and the Company will have minimal UK expenditure.
- 2.5 The liability of the members of the Company is limited to the amount paid up on their shares.
- 2.6 The accounting reference date of the Company is 31 December.
- 2.7 Cargil Management Services Limited was appointed as the Company Secretary on 10 November 2016.
- 2.8 The Company's website is www.saffronenergy.co.uk.

3. THE GROUP'S PRINCIPAL ACTIVITIES

The Group's principal activity, as more fully described in paragraphs 1 to 3 of Part 1 of this document is the exploration for and production of oil and gas.

4. DETAILS OF SUBSIDIARIES

The Company is the holding company of Northsun Italia S.p.A which, at the date of this document, is the only and wholly owned subsidiary of the Company.

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Percentage of issued share capital held</i>	<i>Principal activity</i>
Northsun Italia S.p.A.	Italy	Ordinary shares (fully paid)	100 per cent.	Oil and Gas exploration and production

5. SHARE CAPITAL OF THE COMPANY

5.1 The share capital of the Company as at the date of this document and Admission is as set out below. All the issued share capital of the Company has been fully paid up.

		<i>At the date of this document</i>
£	<i>Number</i>	
103,720	103,720,000	Ordinary shares of £0.001 each
		<i>At Admission</i>
£	<i>Number</i>	
153,720	153,720,000	Ordinary shares of £0.001 each

5.2 The Company was incorporated with a share capital of £50,000 represented by 50,000 ordinary shares of £1 each, of which one ordinary share of £1.00 was issued to the subscriber to the memorandum of association. The following alterations in the issued share capital of the Company have taken place since incorporation:

- (a) the subscriber share was transferred to Po Valley Energy on 10 November 2016;
- (b) on 10 November 2016 Po Valley Energy subscribed for 49,999 ordinary shares of £1.00 each;
- (c) on 9 December 2016 the Shareholders resolved to sub-divide the 50,000 ordinary shares of £1 each into 50,000,000 ordinary shares of £0.001 each;
- (d) on 25 January 2017 50,000,000 Ordinary Shares were issued to Po Valley Energy pursuant to the Share Exchange Agreement as described in paragraph 14 of this Part 6;
- (e) on 25 January 2016 the Board resolved to issue an additional 3,720,000 Ordinary Shares prior to Admission as follow:
 - (i) 1,000,000 to Turner Pope;
 - (ii) 1,000,000 to Sara Edmonson;
 - (iii) 1,000,000 to Spencer John Davey; and
 - (iv) 720,000 to Cassiopeia Services Limited.

5.3 Save as described above, the Company has made no allotments of Ordinary Shares since the date of incorporation.

5.4 By resolutions passed on 25 January 2017 the shareholders of the Company resolved that:

- (a) the directors be generally and unconditionally authorised in accordance with section 551 of the 2006 Act to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal value of £100,000, provided that such authority shall expire on the date of the next Annual General Meeting of the Company or the period being 12 months after the passing of the resolution, whichever is the earlier but the Company may before such expiry make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by the resolutions had not expired; and
- (b) the directors be given authority pursuant to section 570(1) of the 2006 Act to allot equity securities (as defined in section 560 of the 2006 Act) of the Company for cash pursuant to the section 551 authority referred to in paragraph (a) above as if section 561 of the 2006 Act did not apply to any allotment of equity securities by way of a rights issue in proportion (as nearly as may be) to their existing holdings, and in respect of any other issue up to an aggregate, nominal value representing £100,000, such authority to expire on the earlier of

the conclusion of the first Annual General Meeting of the Company and the date falling 12 months after the date of the resolution, provided that the Company may, before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

- 5.5 As at 20 February 2017 (being the latest practicable date prior to publication of this document), there are no convertible securities, exchangeable securities or securities with warrants outstanding over Ordinary Shares.
- 5.6 No options have been granted by the Company or by any other member of the Group to subscribe for Ordinary Shares or any share capital of any member of the Group.
- 5.7 No Ordinary Shares are currently held in treasury by the Company or held by any other person on its behalf and no Ordinary Shares are currently held by any subsidiary of the Company.
- 5.8 The Company does not have in issue any shares which do not represent capital.
- 5.9 Save as disclosed in this document, there are no acquisition rights or obligations over the authorised and unissued share capital of the Company and no undertakings to increase the share capital.

6. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 6.1 In accordance with section 8 of the 2006 Act, the Memorandum of Association of the Company consists of a simple statement that the subscribers wish to form a company and subscribe for at least one share. Pursuant to the 2006 Act, unless a company's articles provide otherwise, a company's objects are unrestricted. The Company's objects are not restricted by its Articles.

- 6.2 The Articles of Association exclude the model articles and include the following provisions:

(a) Directors

- (i) Subject to the Articles, the Directors are responsible for the management of the Company's business, for which purpose they may exercise all the powers of the Company. Subject to the Articles, the Directors may delegate any of their powers to such persons or committees and on such terms and conditions as they think fit.
- (ii) If a Directors' meeting or part of a Directors meeting, is concerned with an actual or proposed transaction or arrangement with the Company in which a Director is interested, that Director is not to be counted as participating in that meeting or part of a meeting for quorum or voting purposes; provided that, a Director who is interested in an actual or proposed transaction or arrangement with the Company is to be counted as participating in a decision at a Directors' meeting, or part of a Director's meeting, relating to it for quorum and voting purposes if the following apply:
 - (A) the Company by ordinary resolution disapplies the provision of the Articles which would otherwise prevent a director from being counted as participating in, or voting at, a Directors' meeting;
 - (B) the Director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
 - (C) the Director's conflict of interest arises from a permitted cause, which is defined as:
 - (1) a guarantee given, or to be given, by or to a Director in respect of an obligation incurred by or on behalf of the Company or any of its Subsidiaries;

- (2) subscription, or an agreement to subscribe, for shares or other securities of the Company or any of its Subsidiaries, or to underwrite, sub-underwrite or guarantee subscription for any such shares or securities; and
 - (3) arrangements pursuant to which benefits are made available to Directors, employees or former employees of the Company or any of its Subsidiaries, which do not provide specific benefits for Directors or former Directors.
- (iii) Subject as provided below, if a question arises at a meeting of Directors or of a committee of Directors as to the right of a Director to participate in the meeting (or part of the meeting) for voting or quorum purposes, the question may, before the conclusion of the meeting, be referred to the chairman whose ruling in relation to any Director other than the chairman is final and conclusive.
 - (iv) If any question as to the right to participate in the meeting (or part of the meeting) should arise in respect of the chairman, the question is to be decided by a decision of the Directors at that meeting, for which purpose the chairman is not to be counted as participating in the meeting (or that part of the meeting) for voting or quorum purposes. A poll on a resolution may be demanded in advance of the general meeting where it is to put to the vote or at a general meeting, either before a show of hands on that resolution or immediately after the result of a show of hands on that resolution is declared.
 - (v) Directors may undertake any services for the Company that the Board decides. Directors are entitled to such remuneration as the Directors determine for their services to the Company as Directors and for any other services which they undertake for the Company. Directors' remuneration may take any form and include any arrangements in connection with the payment of a pension allowance or gratuity or any death, sickness or disability benefits, to or in respect of that Director.
 - (vi) The Company may pay any reasonable expenses which the Directors properly incur in connection with their attendance at meetings of directors or committees of directors, general meetings or separate meetings of the holders of any class of shares or of debentures of the Company, or otherwise in connection with the exercise of their powers and the discharge of their responsibilities in relation to the Company.
 - (vii) At the first annual general meeting all the Directors must retire from office. At every subsequent annual general meeting any directors:
 - (A) who have been appointed by the Directors since the last annual general meeting; or
 - (B) who were not appointed or reappointed at one of the preceding two annual general meetings,
 must retire from office and may offer themselves for reappointment by the members.

(b) **General meetings and voting**

- (i) The Directors may call an extraordinary general meeting whenever they think fit and shall call an extraordinary general meeting upon requisition in accordance with the Articles. In addition, if the Company has fewer than two Directors and the Director (if any) is unable or unwilling to appoint sufficient Directors to make up a quorum or to call a general meeting to do so, then two or more members may call a general meeting (or instruct the Company to do so) for the purpose of appointing one or more Directors.

- (ii) If a special resolution or any resolution to appoint a director is to be put before a general meeting then at least 21 clear days' notice of the general meeting will be given to all Shareholders entitled to attend and vote at the general meeting. At least 14 days' clear notice will be given for all other general meetings.
 - (iii) A resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the Articles.
 - (iv) No voting rights attached to a share may be exercised at any general meeting or at any adjournment of it, or on any poll called at or in relation to it, unless all amounts payable to the Company in respect of that share have been paid.
 - (v) Proxies may only validly be appointed by a notice in writing which states:
 - (A) the name and address of the Shareholder appointing the proxy, and the number of shares to be voted;
 - (B) identifies the person appointed to be that Shareholder's proxy and the general meeting in relation to which that person is appointed;
 - (C) is signed by or on behalf of the Shareholder;
 - (D) is delivered to the Company in accordance with the Articles and any instructions contained in the notice of the general meeting to which they relate.
- (c) **Rights of Shares**
- (i) The Company may issue shares with such rights or restrictions as may be determined by ordinary resolution. The Company may issue shares which are to be redeemed, or are liable to be redeemed at the option of the Company or the holder, and the Directors may determine the terms and conditions and manner of redemption of any such shares.
 - (ii) The Company has a lien over every share which is partly paid, of that share's nominal value and any premium at which it was issued, which has not been paid to the Company and which is payable immediately or at some time in the future, whether or not a call notice has been sent in respect of it. The Company has the right of enforcement in respect of a share if the member has failed to comply with the enforcement notice in accordance with the Articles.
- (d) **CREST**
- The Articles are consistent with the provisions regulating CREST, a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument and, *inter alia*, allow for the holding and transfer of shares in uncertificated form in accordance with the provisions of the Uncertificated Securities Regulations 2001.
- (e) **Transferability**
- (i) Certificated shares may be transferred by means of an instrument of transfer in any usual form or any other form approved by the directors which is executed by or on behalf of the transferor and (if any share is partly paid) the transferee. No fee may be charged for registering any transfer. The Directors may refuse to register the transfer of a certificated share if:
 - (A) the share is not fully paid;

- (B) the transfer is not lodged at the Company's registered office or such other place as the Directors have appointed;
 - (C) the transfer is not accompanied by the certificate for the shares to which it relates;
 - (D) the transfer is in respect of more than one class of share; or
 - (E) the transfer is in favour of more than four transferees.
- (ii) The transfer of an uncertificated share must not be registered if it is in favour of more than four transferees.

(f) ***Dividends***

Subject to the Statutes (being the 2006 Act, the CREST regulations and every other statute or statutory instrument for the time being in force concerning companies and affecting the Company), the Company may by ordinary resolution declare dividends, and the Directors may decide to pay interim dividends. A dividend must not be declared unless the Directors have made a recommendation as to its amount. Such dividend must not exceed the amount recommended by the Directors. Unless the members' resolution to declare or the Directors' decision to pay a dividend, or the terms on which shares are issued, specify otherwise, it must be paid by reference to each member's holding of shares on the date of the resolution or decision to declare or pay it. Except as otherwise provided by the Articles or the rights attached to shares, all dividends must be declared and paid according to the amounts paid up on the shares on which the dividend is paid and apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Any dividend unclaimed after a period of 12 years from the date it became due for payment shall be forfeited and shall revert to the Company.

(g) ***Pre-emption Rights***

There are no rights of pre-emption under the Articles in respect of transfers of Ordinary Shares. In certain circumstances the Company's shareholders may have statutory pre-emption rights under the 2006 Act in respect of the issue of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

(h) ***Changes in capital***

The Company may by ordinary resolution increase its share capital, consolidate and divide its share capital into shares of a larger amount, sub-divide its share capital into shares of a smaller amount (subject to the provisions of the Statutes) and cancel any shares which have not been taken or agreed to be taken by any person and diminish the amount of its authorised share capital by the amount of the shares so cancelled.

Subject to the provisions of the Statutes, the Company may reduce share capital, any capital redemption reserve and any share premium account in any manner.

(i) ***Untraced shareholders***

Subject to the Statutes, if the Company sends two consecutive documents to a member over a period of at least 12 months and each of those documents is returned undelivered, or the Company receives notification that it has not been delivered, that member ceases to be entitled to receive notices from the Company. A member who has ceased to be

entitled to receive notices from the Company becomes entitled to receive such notices again by sending the Company a new address.

(j) **General**

There is nothing contained in the Articles which would have an effect of delaying, deferring or preventing a change in control of the Company.

7. INTERESTS OF DIRECTORS IN THE COMPANY

7.1 As at the date of this document and immediately following Admission, the interests of the Directors and their families (within the meaning set out in the AIM Rules) in the issued share capital of the Company, all of which are beneficial, and the existence of which is known or could, with reasonable diligence, be ascertained by that Director, are as follows:

As at 21 February 2017

	<i>Number of shares held in Po Valley Energy</i>	<i>Percentage interest in Po Valley Energy</i>	<i>Indirect percentage interest of Saffron</i>	<i>Number of Saffron Ordinary Shares</i>	<i>Direct percentage of Saffron Ordinary Shares</i>	<i>Total percentage interest in Saffron</i>
<i>Director</i>						
Sara Edmonson	1,148,224	0.21%	0.20%	1,000,000	0.96%	1.17%

At Admission

	<i>Number of shares held in Po Valley Energy</i>	<i>Percentage interest in Po Valley Energy</i>	<i>Indirect percentage interest of Saffron</i>	<i>Number of Saffron Ordinary Shares</i>	<i>Direct percentage of Saffron Ordinary Shares</i>	<i>Total percentage interest in Saffron</i>
<i>Director</i>						
Sara Edmonson	1,148,224	0.21%	0.14%	1,000,000	0.65%	0.79%

7.2 Save as disclosed in this paragraph 7, none of the Directors nor any person connected with them is or, immediately following Admission will be interested in any share capital of the Company.

7.3 Kevin Bailey has made loans to NSI as detailed in paragraph 14 of this Part 6. There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

7.4 None of the Directors or any person connected with them is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or fixed odds bet).

7.5 Save as disclosed in paragraph 14 of this Part 6, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which was effected by the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

8. OPTIONS IN THE COMPANY

As at the date of this document, no Director has been granted any option to acquire Ordinary Shares.

9. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT

9.1 The Company has entered into the agreements described below:

- (a) An employment agreement with Michael Masterman dated 17 January 2017 pursuant to which he will act as Chief Executive Officer of the Company and will manage the business of the Company including being in charge of the overall strategic direction of the Company, subject to the policies adopted by the board. He will commit on average 20 hours each working week in carrying out his duties. His employment will continue unless terminated for cause or by either party giving the other 6 months' notice of termination. He shall receive a salary of €77,000 per annum. The contract does not contain restrictive covenants, any provision relating to interests in competing businesses or conflicts of interest (except as provided in the Articles and as required by the AIM Rules).
- (b) a letter of appointment with Kevin Bailey dated 17 January 2017 pursuant to which he is appointed as a non-executive Director to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is for an initial period ending on the earlier of 30 May 2018 and the date of the first annual general meeting ("**AGM**") held by the Company (unless otherwise terminated by either party giving the other not less than 3 months' notice of termination). It is anticipated that the role will require a commitment of 2 days per month which will include attendance at board meeting, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for his services, the Company will pay an annual fee of €14,000, payable monthly in arrears.
- (c) a letter of appointment with Sara Edmonson dated 17 January 2017 pursuant to which she is appointed as a non-executive Director to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is for an initial period ending on the earlier of 30 May 2018 and the date of the first AGM held by the Company (unless otherwise terminated by either party giving the other not less than 3 months' notice of termination). It is anticipated that the role will require a commitment of 2 days per month which will include attendance at board meeting, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for her services, the Company will pay an annual fee of €14,000, payable monthly in arrears.
- (d) a letter of appointment with David Garland dated 17 January 2017 pursuant to which he is appointed as a non-executive Director to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is for an initial period ending on the earlier of 30 May 2018 and the date of the first AGM held by the Company (unless otherwise terminated by either party giving the other not less than 3 months' notice of termination). It is anticipated that the role will require a commitment of 2 days per month which will include attendance at board meeting, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for his services, the Company will pay an annual fee of €14,000, payable monthly in arrears.
- (e) a letter of appointment an agreement with Christopher Johannsen dated 17 January 2017 pursuant to which he is appointed as a non-executive Director to provide entrepreneurial leadership for the Company within a framework of prudent and effective controls and subject to the Company's policies. The appointment is for an initial period ending on the earlier of 30 May 2018 and the date of the first AGM held by the Company (unless otherwise terminated by either party giving the other not less than 3 months' notice of termination). It is anticipated that the role will require a commitment of 2 days per month which will include attendance at board meeting, general meetings and other meetings with institutional investors and/or Shareholders. In consideration for his services, the Company will pay an annual fee of €14,000, payable monthly in arrears.

- 9.2 NSI has also entered into an employment contract with Sara Edmonson dated 30 June 2010. Starting from 1 September 2012 Sara Edmonson was promoted to chief financial officer of NSI. Ms Edmonson is qualified as a director in accordance with the National Collective Contract for Industry Directors. Pursuant to the employment contract, Ms. Edmonson will provide high level services as an employee to NSI and cooperate with NSI in providing leadership and to coordinate NSI's business activities. Ms Edmonson's role is to: cooperate with the board to reach objectives; control the company finances; direct the administrative and finance departments; manage relations with external entities; and ensure tax, accounting, budget and corporate compliance. Her salary is €120,000 per annum plus an annual premium of 40 per cent. of the base salary based on the performance of NSI and on targets to be set by NSI yearly. Ms Edmonson also receives benefits including a health policy and the use of mobile phone and laptop. The employment contract can be terminated by giving the requisite notice periods provided under the national collective contract. In any case one year of salary is due as a penalty. Ms Edmonson has also served as Chief Executive Officer of Po Valley Energy since August 2013 and also has executive responsibility for PVO. She will provide these services to PVO under the Master Services Agreement, as set out in paragraph 14.1(g) of this Part 6, and it is the Company's expectation that the majority of her annual salary will be recharged to PVO.
- 9.3 Other than the agreements set out in paragraphs 9.1 and 9.2 above, the Group has not entered into any service contract with any Director.

10. ADDITIONAL INFORMATION ON THE DIRECTORS

- 10.1 Aside from directorships held within the Group, the Directors hold or have held the following directorships or been a partner in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current Directorship</i>	<i>Past Directorship</i>
Michael George Masterman	Cooper Gold Resources Plc Freycinet Experience Pty Ltd Iberian Resources Spain SL Isaac Masterman Investments Pty Limited JHM Investments Pty Ltd MGM Gas Limited Po Valley Energy Limited Po Valley Operations Pty Limited Salt Water Lagoon Pty Ltd Symmall Pty Limited W Resources Plc	Caspian Oil Pty Limited FMG GV Pty Ltd FMG Iron Bridge (Aust) Pty Ltd FMG Magnenite Pty Ltd FMG North Pilbara Pty Ltd Gap Capital Limited Great Walks of Australia Pty Ltd IB Operations Pty Ltd International Bulk Ports Limited Masterman Investments Pty Limited Minara Resources Limited Ocean Metals Pty Limited Pilbara Water and Power Pty Ltd SS IB Pty Ltd
Kevin Christopher Bailey	Bailey Family Trust Bailey Superannuation Trust East Saint Falls Pty Ltd Fuiloro Pty Ltd Halftime Australia Pty Ltd Kevin Bailey Charitable Trust Outward Looking International Pty Ltd Outward Looking LLC Parousia Media Pty Ltd Po Valley Energy Limited West St. Falls Pty Limited	Money Managers Investments Pty Limited The Xanana Vocational Education Trust

<i>Name</i>	<i>Current Directorship</i>	<i>Past Directorship</i>
Sara Melinda Edmonson	Intrading S.R.L. Po Valley Operations Pty Limited	None
Christopher Johannsen	Ngeringa Consulting Pty Ltd Ngeringa Holdings Pty Ltd Bacchus Capital Advisors Limited	Gryphon Partners Advisory Pty Ltd Muriton Pt. Ltd.
David Robertson Garland	Atacama Metals Holdings Limited Hague and London Oil B.V. HALO SC54 B.V. Maghreb Exploration Limited Maghreb Offshore Limited Vermeer Exploration B.V. W Resources Plc Wessex Hydrocarbons Limited	Dominion Kenya Holdings Limited Dominion Petroleum Administrative Services Limited Dominion Petroleum Limited

10.2 No Director has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or entered into any voluntary arrangements;
- (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- (d) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he as a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
- (f) been publicly criticised by any statutory or regulatory authority (including designated professional bodies);
- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company; or
- (h) had a name other than his/her existing name.

11. EMPLOYEES

11.1 The Group will have 5 employees (including the Chief Executive but excluding the Non-Executive Directors) as at Admission. The Chief Executive will be employed by the Company and the other employees, including Sara Edmonson as chief executive of NSI, will be employed by NSI, although such persons will support the activities of the Group.

12. SHARE OPTION SCHEMES

The Company has no current intention to adopt any share option plan.

13. MAJOR INTERESTS IN ORDINARY SHARES

- 13.1 Save as disclosed in this paragraph 13, the Directors are not aware of any person who, directly or indirectly, jointly or severally at the date of this document and at Admission is or will be interested in 3 per cent. or more of the issued ordinary share capital or the Enlarged Issued Share Capital of the Company:

<i>Shareholder</i>	<i>As at the date of this document</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
Po Valley Energy Limited	100,000,000	96.41 per cent.

<i>Shareholder</i>	<i>At Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>
Po Valley Energy Limited	100,000,000	65.05 per cent.

- 13.2 There are no differences between the voting rights enjoyed by the Shareholders described in paragraph 13.1 and those enjoyed by any other holder of Ordinary Shares in the Company.
- 13.3 Save as disclosed in this document, so far as the Directors are aware, the Company is not directly or indirectly controlled by any person and there are no other rights with respect to the share capital of the Company.
- 13.4 Save as disclosed in this document, so far as the Company is aware, there are no arrangements the operation of which may at a subsequent date result in a change of control of the Company.

14. MATERIAL CONTRACTS

- 14.1 This section contains summaries of the principal terms of material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of this document and any other contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document, or are material subsisting agreements which relate to, the assets and liabilities of the Group as at the date of this document:

(a) *Cascina Castello Production Licence*

NSI is 90 per cent. titleholder and Operator of the Cascina Castello Production Licence and Petrorep Italiana S.p.A. ("**Petrorep**") is 10 per cent. titleholder. The onshore production concession named "Cascina Castello" is located in Lombardy Region (Provinces of Cremona, Lodi and Milan) and covers an area of 38,59 km². Key events since the grant of the licence: 24 July 2008: favourable resolution with prescriptions issued by the Lombardy Region (No. VIII/7737) on the enlargement of the concession for the production of the well "Bezzecca 1"; 22 October 2008: decree issued by MED granting the production concession (published on the Bulletin on November 30, 2008). The expiration date of the production concession is October 22, 2028; 30 January 2014: favourable resolution with prescriptions issued by the Lombardy Region (No. 568) on the application for production concession; 19 December 2014. Authorization with prescriptions issued by MED for the construction the production facilities for the well "Bezzecca 1". There are the following exploration wells: Vitalba 1dir (production well within the exploration permit Cascina San Pietro) and Bezzecca 1dir.

On November 4, 2014 the prior authorization to the assignment from NSI to Petrorep Italiana S.p.A. the 10 per cent. of interest in the production concession Cascina Castello was filed with the MED. On December 4, 2014 the MED has issued the prior authorization. Apart from the pre-emption rights granted by law to the other holder (Petrorep Italiana S.p.A.) of a quota of the production concession, no pre-emption rights related to this production concession exist. No third party rights related to this production concession exist as no documents regarding third party rights have been provided by NSI. The current mandatory work obligations are: 1) works for making Bezzecca 1 a production well; 2) the functional upgrading of the existing gas dewatering treatment localized at Vitalba; 3) realization after a period of 15/18 months from the start of production of Bezzecca 1, of a new development well named "Bezzecca 2". The concession has been producing from January 2009.

A Joint Operating Agreement ("**JOA**") was executed on October 22, 2014 between NSI and Petrorep Italiana S.p.A. Accordingly the JOA, Petrorep Italiana S.p.A. takes part in development costs amounted to euro 600,000 and net revenues by a percentage equal to 10 per cent.

(b) *Sillaro Production Licence*

On 22 December 2016 NSI, who was is 65 per cent. title holder (also administrative representative and operator), acquired from PVO its 35 per cent. interest. The PVO interest was transferred to NSI within the following transaction: NSI issued 9,317 shares of €520 each to PVO as consideration for the transfer of a branch that included several assets among which the 67.5 per cent. interest in the Sant'Alberto production concession application and the 35 per cent. interest in Sillaro production concession and the payable balance in relation to NSI of €1,918,800 for an aggregate sum of €4,844,840. The onshore production concession named "Sillaro" is located in the Emilia Romagna Region (Province of Bologna) and covers an area of 7,37 km². On 29 October 2008. A decree was issued by the MED granting the production concession (published on the Bulletin on November 30, 2008). The expiration date of the production concession is October 29, 2028. There are two production wells Sillaro 1dir and Sillaro 2dir.

On 7 October 2016 PVO filed with MED the application for prior authorization to the assignment to NSI of its 35 per cent. interest in the Sillaro production concession. The General Directorate for the safety also of the environment of the activities related to mining and energy – National Mining Office for Hydrocarbons and Georesources of MED issued on December 20, 2016 its positive opinion on the assignment. On 22 December 2016 the General Directorate for Resources related to Mining and Energy of the MED authorized the assignment. Apart from the pre-emption rights granted by law to the other holder (PVO) of a quota of the production concession, no pre-emption rights related to this production concession exist. The current mandatory work obligations are: 1) works for making Sillaro 1dir a production well; 2) drilling of Sillaro 2 well; 3) building on well site of gas separation plant, hydrates' inhibition, depressurization, heating, dehydration and fiscal measurement plants; 4) building of the treatment plant; 5) building of all auxiliary services necessary to operate well site; 6) laying of pipes and connection to gas pipeline network. The concession has been producing from May 2010.

(c) *Placing Agreement*

The Company has entered into a Placing Agreement with Grant Thornton, Turner Pope and the Directors dated 20 February 2017. Under the Placing Agreement, Turner Pope has conditionally agreed, as agent of the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing Agreement contains indemnities from the Company and warranties from the Company and the Directors in favour of Turner Pope and Grant Thornton, together with

provisions which enable Turner Pope and Grant Thornton to terminate the Placing Agreement in certain circumstances before Admission, including circumstances where any of the warranties are found not to be true or accurate in any material respect. The liability of the Directors for breach of warranty is limited.

A commission of 5 per cent. of the aggregate value of the Placing Shares placed by Turner Pope at the Placing Price is payable to Turner Pope on Admission with the Company to pay the commission due on the issue of the Placing Shares.

(d) *Subscription Agreements*

The Company and the Subscribers have entered into letter agreements dated on or around 11 February 2017 pursuant to which each Subscriber has, subject to Admission, irrevocably subscribed for a stated number of Subscription Shares at the Placing and Subscription Price. The Company has given warranties as of the date of Admission in substantially the same terms as provided in the Placing Agreement. The Subscribers undertake to provide payment for the Subscription Shares by telegraphic transfer to the Company on the date of Admission.

(e) *Relationship, Lock-in and Orderly Market Deed*

Pursuant to an agreement dated 20 February 2017 between the Company, Po Valley Energy, Grant Thornton and Turner Pope, Po Valley Energy has agreed with the Company, Turner Pope and Grant Thornton not to dispose of any interest it holds in Ordinary Shares for a period of 12 months from Admission, except in certain limited circumstances. Po Valley Energy has also agreed (subject to certain exceptions) that, during the 12-month period following the lock-in period, it will only dispose of its Ordinary Shares through Turner Pope (subject to certain limited exceptions) in order to maintain an orderly market, unless otherwise agreed in writing with Turner Pope.

In addition, Po Valley Energy, as a controlling Shareholder of the Company, agrees that for as long as it holds 20 per cent. or more of the Company's Ordinary Shares it will not seek to utilise its voting rights to vote in favour of any resolution, or take any action or prevent the Company from carrying on its business in a way which would be contrary to the principle of independence of the Company from Po Valley Energy (or its associated companies). Po Valley Energy gives further undertakings in relation to corporate governance and conflicts of interest. The Company undertakes to provide certain information and copies of press releases to Po Valley Energy.

(f) *Share Exchange Agreement*

The Company and Po Valley Energy entered into a Share Exchange Agreement dated 25 January 2017, pursuant to which the Company acquired to the entire issued share capital of NSI in consideration of the issue to Po Valley Energy of 50,000,000 Ordinary Shares at 17.5 pence per share. Po Valley Energy gave certain limited warranties with respect to its ownership and title to the NSI shares.

(g) *Master Services Agreement*

NSI and PVO entered into a Master Services Agreement dated 1 February 2017 (the "**MSA**") pursuant to which each company agrees to provide the other with services on an 'on-call' basis. Both PVO and NSI are willing to provide one another with personnel and administrative support for oil and gas exploration and development technical services. In addition, the companies will continue to share an office in Rome and certain administrative services.

If either party wishes the other to provide services, it shall issue a Work Order. The MSA provides that for a minimum of 18 months from the date of execution of the MSA, PVO and NSI shall provide the respective technical and administrative services as set out in the

Work Order attached to the MSA. All rates chargeable by each company to the other for the provision of the relevant services shall be set out and agreed in each Work Order. The rates will be fixed for the first 12 months and then may be changed by agreement of the parties. Monthly timesheets will be kept by both companies and signed off by the relevant executive chairman or CEO. Each party provides the other with indemnities in respect of the services provided. The MSA may be terminated by agreement and shall be terminated on breach, subject to notice periods.

(h) *Natural Gas Supply Contract*

NSI as the “Producer” and Shell Energy Italia S.r.l. as the “Purchaser” entered into a Natural Gas Supply Contract (“**Gas Supply Agreement**”) on 9 September 2015. The agreement, which is currently being re-negotiated, expires on 30 September 2017. The Purchaser has an option to extend the Gas Supply Agreement for a further year on the same terms. The agreement is governed by Italian law.

The Gas Supply Agreement governs the supply by the Producer to the Purchaser of its entire share of production (and for that share of production for which it has a mandate to commercialize natural gas) from Cascina Castello, Bezzecca, Sillaro and Sant’Alberto. The Producer shall sell all the amounts of natural gas from the concessions, exclusively to the Purchaser. The contract provides for a daily amount to be delivered, (at an agreed price) which the Producer can elect to increase (subject to the payment of an amount equal to the penalties provided by the Network Code that Snam Rete Gas has applied).

Failure of the Producer to comply with its obligations with respect to the Quantities of Natural Gas, shall lead to the termination of the contract following prior notification on part of the Purchaser of a written request of fulfilment within 15 days in accordance to Article 14548 of the Italian Civil Code.

The contract is effective from the execution date and the supply of natural gas shall end at 6.00am of October 1, 2017 (the “Contract Period”); the purchaser shall have the right to extend the contract for one additional gas year (i.e. from 6.00am of October 1, 2017 to 6.00am of October 1, 2018) at the same price and on the same contractual terms and conditions. The Purchaser shall have to communicate to the producer its decision to extend the contract no later than April 1, 2017.

(i) *Services agreement for the execution of the works related to the Bezzecca connection to Vitalba*

NSI and TESI S.r.l. (“**TESI**”) entered into a services agreement on 9 September 2016. The purpose of the services agreement is the execution by TESI of mechanical installation works and installation of the pipeline connecting the Bezzecca-1 well to the Vitalba gas processing facility.

The total value of the services is €2,179,000 plus VAT. This is payable as follows: (1) down payment euro 530,000 plus VAT to be paid in five tranches according to the following deadlines: (i) first tranche of €176,229,50 plus VAT within 10 days of signing the agreement; (ii) second tranche of €132,172 plus VAT within 30 days after the deadline for payment of the first tranche; (iii) the third tranche of €132,172 plus VAT within 30 days after the deadline for payment of the second tranche; (iv) the fourth tranche of €44,057 plus VAT within 30 days after the deadline for payment of the third tranche; (v) the fifth tranche of €45,369,50 plus VAT within 30 days after the deadline for payment of the fourth tranche; (2) the remaining amount of €1,649,000 plus VAT will be paid in 24 equal monthly instalments of €68.700 plus VAT.

It is intended that NSI will pay the amounts owed under this agreement using the production revenue of wells. If during a specific month the percentage of production is lower than the estimated level monthly, NSI will pay to TESI a reduced amount. In any case

without prejudice to the right of TESI to obtain the payment of the total amount of services. In order to secure the payments, NSI has procured a cash backed bank guarantee from Banca UBI in an amount of €134,000 in favour of TESI.

(j) *Bailey Loan*

On 5 December 2016 NSI and Kevin Bailey entered into a binding term sheet pursuant to which Mr. Bailey agreed to loan AUD\$215,200 to NSI to fund working capital requirements. Interest is payable at a rate of 10 per cent. per annum to be repaid upon repayment. The loan is to be repaid in full at the earliest of (i) 30 April 2017; (ii) upon a major corporate event. The loan is not secured. However, NSI has undertaken not to incur any debt or grant any security to any third party other than in the ordinary course of its business. The agreement specifies events of default which are usual for an agreement of this type. The loan is required to be drawn down by 5 December 2016. The binding term sheet is governed by the laws of Western Australia. Mr. Bailey has by letter agreement dated 31 January 2017 waived any breach prior to Admission or any requirement to repay the loan prior to Admission.

(k) *Bailey Family Loan*

On 30 January 2017 NSI and the Kevin and Grace Bailey as trustees for The Bailey Family Trust (the "**Bailey Trust**") entered into a binding term sheet pursuant to which the Bailey Trust agreed to loan AUS\$300,000 to NSI to fund working capital requirements. Interest is payable at a rate of 10 per cent. per annum to be paid upon repayment of the loan. The loan is to be repaid in full on the earlier of (i) a significant corporate event, such as the sale of substantially all the assets or change in ownership of more than 50 per cent. of the voting capital stock; (ii) a listing of NSI's securities; (iii) a significant refinancing of at least €1 million; or (iv) the occurrence of an event of default. The loan is not secured. However, NSI has agreed not to incur any debt or grant any security to any third party other than in the ordinary course of its business. The agreement specifies events of default which are usual for an agreement of this type are included. The binding term sheet is governed by the laws of Western Australia. The Bailey Trust has by letter agreement dated 31 January 2017 waived any breach prior to Admission or any requirement to repay the loan prior to Admission.

(l) *Beronia Investments Pty Ltd Loan – No.1*

On 5 December 2016 NSI and Beronia Investments Pty Ltd ("**Beronia**"), an entity associated with Dr Byron Pirola, a director of Po Valley Energy, entered into a binding term sheet pursuant to which Beronia agreed to loan AUD\$286,900 to NSI to fund working capital requirements. Interest is payable at a rate of 10 per cent. per annum to be paid prior to repayment of the loan. The loan is to be repaid in full at the earliest of (i) 30 April 2017; and (ii) upon a major corporate event, including a listing of NSI's securities. The loan is not secured. However, NSI has agreed not to incur any debt or grant any security to any third party other than in the ordinary course of its business. The agreement specifies events of default which are usual for an agreement of this type are included. The loan has been drawn down in full. The binding term sheet is governed by the laws of Western Australia. Beronia has by letter agreement dated 31 January 2017 waived any breach prior to Admission or any requirement to repay the loan prior to Admission.

(m) *Beronia Investments Pty Ltd – No 2*

On 19 January 2017 Beronia entered into a binding term sheet pursuant to which it agreed to loan €50,000 to NSI to fund working capital requirements. Interest is payable at a rate of 10 per cent. per annum to be paid upon repayment of the loan. The loan is to be repaid in full on the earlier to occur of (i) 24 February 2017; or (ii) upon a major corporate event, such as a listing of NSI's securities. The loan is not secured. However, NSI has agreed not

to incur any debt or grant any security to any third party other than in the ordinary course of its business. The agreement specifies events of default which are usual for an agreement of this type. The binding term sheet is governed by the laws of Western Australia. Beronia has by letter agreement dated 31 January 2017 waived any breach prior to Admission or any requirement to repay the loan prior to Admission.

(n) *Beronia Investments Pty Ltd – No. 3*

Beronia and NSI entered into a further binding term sheet during January 2017 pursuant to which it agreed to loan AUS\$ 233,437 to NSI. Interest is payable at a rate of 10 per cent. per annum to be paid upon repayment of the loan. The loan is to be repaid in full on the earlier to occur of (i) 30 June 2018; (ii) upon a major corporate event, such as the sale of substantially all the assets or change in ownership of more than 50 per cent. of the voting capital stock; (iii) a listing of NSI's securities; (iv) a significant refinancing of at least €1 million; or (v) upon the occurrence of an event of default. The loan is not secured. However, NSI has agreed not to incur any debt or grant any security to any third party other than in the ordinary course of its business. The agreement specifies events of default which are usual for an agreement of this type. The loan is required to be drawn down by 31 January 2017. The binding term sheet is governed by the laws of Western Australia. Beronia has by letter agreement dated 31 January 2017 waived any breach prior to Admission or any requirement to repay the loan prior to Admission.

(o) *Fuiloro Pty Ltd Loan*

Fuiloro Pty Ltd, a company of which Kevin Bailey is a director, and NSI entered into a binding term sheet during January 2017 pursuant to which Fuiloro Pty Ltd agreed to loan AUS\$295,477 to NSI. Interest is payable at a rate of 10 per cent. per annum to be paid upon repayment of the loan. The loan is to be repaid in full on the earlier to occur of (i) 30 June 2018; (ii) upon a major corporate event, such as the sale of substantially all the assets or change in ownership of more than 50 per cent. of the voting capital stock; (iii) a listing of NSI's securities; (iv) a significant refinancing of at least €1 million; or (v) upon the occurrence of an event of default. The loan is not secured. However, NSI undertakes not to incur any debt or grant any security to any third party other than in the ordinary course of its business. The agreement specifies events of default which are usual for an agreement of this type. The binding term sheet is governed by the laws of Western Australia. Fuiloro Pty Ltd has by letter agreement dated 31 January 2017 waived any breach prior to Admission or any requirement to repay the loan prior to Admission.

(p) *Greenvale Asia Limited Loan*

Greenvale Asia Limited and NSI entered into a binding term sheet during January 2017 pursuant to which Greenvale Asia agreed to loan €50,000 to NSI. Interest is payable at a rate of 10 per cent. per annum to be paid upon repayment of the loan. The loan is to be repaid in full on the earlier to occur of (i) 30 June 2018; (ii) upon a major corporate event, such as the sale of substantially all the assets or change in ownership of more than 50 per cent. of the voting capital stock; (iii) a listing of NSI's securities; (iv) a significant refinancing of at least €1 million; or (v) upon the occurrence of an event of default. The loan is not secured. However, NSI undertakes not to incur any debt or grant any security to any third party other than in the ordinary course of its business. The agreement specifies events of default which are usual for an agreement of this type. The loan is required to be drawn down by 31 January 2017. The binding term sheet is governed by the laws of Western Australia. Greenvale Asia has by letter agreement dated 31 January 2017 waived any breach prior to Admission or any requirement to repay the loan prior to Admission.

(q) *Nomad Agreement*

The Company and Grant Thornton entered into a nominated adviser agreement dated 20 February 2017 pursuant to which Grant Thornton has agreed to act as the nominated adviser for the Company (the "**Nomad Agreement**") and the appointment shall continue

until terminated. The Company has agreed to pay Grant Thornton a fee in the event of Admission occurring.

(r) *Broker Agreement*

The Company and Turner Pope entered into an engagement letter with respect to the appointment by the Company of Turner Pope as Broker on 22 November 2016 (the “**Broker Agreement**”). Pursuant to the Broker Agreement, Turner Pope agrees to act as Broker to the Company and to promote trading in the shares of the Company by carrying out the duties and responsibilities as set out in the Broker Agreement. In consideration of the services to be provided by Turner Pope, the Company shall pay a fee in respect of the first year of £50,000 (plus VAT) payable by the issue to the Broker (or its nominee) of 1,000,000 Ordinary Shares at £0.001 per Ordinary Share. Thereafter an annual retainer fee of £25,000 per annum (plus VAT), payable quarterly in advance.

The Broker Agreement may be terminated by either the Company or the Broker on giving not less than 3 months’ prior written notice; provided such notice may not be given during the 21-month period from the date of the Broker Agreement.

(s) *Investor Relations and Public Relations Consultancy Agreement*

The Company, Northsun Italia S.p.A. and Cassiopeia Services Limited (“**Cassiopeia**”) have entered into an investor relations and public relations consultancy agreement dated 18 January 2017, pursuant to which Cassiopeia will from 19 January 2017 provide NSI with public relations and investor relations services for an initial fixed one-year term. The contract may be terminated at the end of the initial term on either party giving 3-months’ notice, subject to any prior termination for cause at any time. NSI shall pay Cassiopeia a fee of £36,000 for the initial term, which shall be satisfied by Saffron issuing 720,000 Ordinary Shares immediately prior to Admission.

(t) *APE Services Agreement*

On 13 December 2013 NSI and PVO entered into a services contract with Assistenza Produzione Energia – A.P.E. S.r.l. (“**APE**”), as amended on 15 April 2015 (the “**APE Services Agreement**”). The term of the contract will end on 31 December 2017, although NSI and PVO have the right to further extend the term of the contract until 31 December 2018. Pursuant to the APE Services Agreement APE provides all management, supervision, personnel, materials and equipment that are required to provide operating and maintenance services in respect of the Licences and Application and the wells and operations under such Licences and Application. The contract may be terminated at any time by NSI/PVO by giving APE not less than 30 days prior notice. The contract sets out monthly payment rates for each Licence and Application, which charges depend on whether or not the relevant well is in production and the volume of production. The APE Services Agreement is governed by Italian law.

(u) *Sara Edmonson Lock-In Agreement*

Sara Edmonson has undertaken by letter dated 20 February 2017 to the Company, Turner Pope and Grant Thornton that she will not sell or dispose of any of her interests in Ordinary Shares except in certain limited circumstances (as permitted by the AIM Rules) at any time before the first anniversary of Admission and, for 12 months immediately following such lock-in period, will effect a sale only through the Company’s broker for the time being with a view to maintaining an orderly market in the Ordinary Shares.

15. AGREEMENTS WITH RELATED PARTIES

15.1 Since the date of incorporation, being the first date covered by the historical financial information contained in this document, the Company has entered into the following related party transactions:

- (a) during 2016, NSI and certain directors entered into loan agreements. Details of these are set out in paragraphs 14.1(j), (k), (l), (m), (n) and (o) of this Part 6.
- (b) on 25 January 2017, pursuant to the Share Exchange Agreement, the Company acquired the entire issued share capital of NSI from Po Valley Energy. Details of this acquisition are set out in paragraph 14(f) of this Part 6.
- (c) on 20 February 2017, the Company and Po Valley Energy, *inter alia*, entered into a Relationship, Lock-in and Orderly Market Deed, pursuant to which Po Valley Energy, as a controlling shareholder of the Company, gave certain undertakings to the Company. Details of this agreement are set out in paragraph 14(e) of this Part 6.
- (d) on 20 February 2017, Sara Edmonson provided undertakings pursuant to a Lock-In Agreement as set out in paragraph 14(u) of this Part 6.

15.2 The directors of the Company and the periods they served from are outlined below:

<i>Name of Director</i>	<i>Date Appointed</i>	<i>Date Resigned</i>
Michael George Masterman	10 November 2016	N/A
Kevin Christopher Bailey	17 January 2017	N/A
Sara Melinda Edmonson	10 November 2016	N/A
David Robertson Garland	17 January 2017	N/A
Christopher Johannsen	17 January 2017	N/A
Philippa Anne Keith	10 November 2016	10 November 2016
Lea Yeat Limited	10 November 2016	10 November 2016

15.3 The only director that received remuneration during 2016 was Sara Edmonson who received salary and bonus payments of €134,496 and benefits in kind equal to €12,374.

16. LITIGATION

16.1 Neither the Company nor its subsidiary is, or has been, involved in any governmental, legal or arbitration proceedings which may have or have had in the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability or the financial position or profitability of the Group as a whole and, so far as the Directors are aware, there are no such proceedings pending or threatened against the Company or any member of the Group.

17. TAXATION

The following summary is intended as a general guide for UK tax resident Shareholders as to their tax position under current UK tax legislation and HMRC practice as at the date of this document. Such law and practice (including, without limitation, rates of tax) is in principle subject to change at any time. The Company is at the date of this document resident for tax purposes in the United Kingdom and the following is based on that status.

This summary is not a complete and exhaustive analysis of all the potential UK tax consequences for holders of Ordinary Shares. It addresses certain limited aspects of the UK taxation position applicable to Shareholders resident and domiciled for tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents) and who are absolute beneficial owners of their Ordinary Shares and who hold their Ordinary Shares as an investment. This summary does not address the position of certain classes of Shareholders who (together with associates) have a 5 per cent. or greater interest in the Company, or, such as dealers in securities, market makers, brokers, intermediaries, collective investment schemes, pension funds, charities or UK insurance companies or whose shares are held under a personal equity plan or an individual savings account or are "employment related securities" as defined in section 421B of the Income Tax (Earnings and Pensions) Act 2003. Any person who is in any doubt as to his tax position or who is subject to taxation in a jurisdiction other than the UK should consult his professional advisers immediately as to the taxation consequences of their purchase, ownership and disposition of Ordinary Shares.

This summary is based on current United Kingdom tax legislation. Shareholders should be aware that future legislative, administrative and judicial changes could affect the taxation consequences described below.

17.1 Taxation on dividends

United Kingdom resident shareholders

The following information is based on current UK tax law in relation to rules applying to dividends paid to individuals and trustees from 6 April 2016 onwards. A dividend allowance of £5,000 per annum for individuals has been introduced. Dividends falling within this allowance will not be subject to income tax. If an individual receives dividends in excess of this allowance in a tax year, the excess will be taxed at 7.5 per cent, (for individuals not liable to tax at a rate above the basic rate), 32.5 per cent. (for individuals subject to the higher rate of income tax) and 38.1 per cent. (for individuals subject to the additional rate of income tax). The rate of tax paid on dividend income by trustees of discretionary trusts is 38.1 per cent.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive.

Companies

Subject to UK dividend exemption rules, a corporate Shareholder resident in the UK (for tax purposes) should generally not be subject to corporation tax or income tax on dividend payments received from the Company.

Non-residents

In general, the right of non-UK resident Shareholders to reclaim tax credits attaching to dividend payments by the Company will depend upon the existence and the terms of an applicable double tax treaty between their jurisdiction of residence and the UK. In most cases, the amount of tax credit that can be claimed by non-UK resident Shareholders from HMRC will be nil. They may also be liable to tax on the dividend income under the tax law of their jurisdiction of residence. Non-UK resident Shareholders should consult their own tax advisers in respect of their liabilities on dividend payments, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

Persons who are not resident in the UK should consult their own tax advisers on whether or not they can benefit from all or part of any tax credit and what relief or credit may be claimed in the jurisdiction in which they are resident.

17.2 Taxation on chargeable gains

A disposal of Ordinary Shares by a Shareholder who is resident for tax purposes in the UK, will in general be subject to UK taxation on capital gains on a disposal of Ordinary Shares. A Shareholder who is not resident in the UK for tax purposes, but who carries on a trade, profession or vocation in the UK through a permanent establishment (where the Shareholder is a company) or through a branch or agency (where the Shareholder is not a company) and has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation through such permanent establishment, branch or agency (as appropriate) will be subject to UK tax on capital gains on the disposal of Ordinary Shares.

In addition, any holders of Ordinary Shares who are individuals and who dispose of shares while they are temporarily non-resident may be treated as disposing of them in the tax year in which they again become resident in the UK. For UK resident individuals, capital gains are chargeable at the applicable rate, which is generally 18 per cent. or 28 per cent. (depending on their personal circumstances, including other capital gains or income for the relevant period) subject to certain reliefs and exemptions. (10 per cent. or 20 per cent, depending on the level of an individual's total income and gains, for disposals after 6 April 2016.

For UK resident trusts or personal representatives, capital gains are chargeable at a flat rate of 28 per cent. subject to certain reliefs and exemptions. For UK corporates, capital gains are currently chargeable at the rate of 20 per cent. (19 per cent. from 1 April 2017) subject to indexation which may apply to reduce any such gain, although indexation cannot create or increase a capital loss (indexation is no longer available to individuals and trustees). Other reliefs may be relevant.

17.3 **Stamp Duty and Stamp Duty Reserve Tax**

No stamp duty or stamp duty reserve tax ("**SDRT**") will generally be payable on the issue of the Placing Shares.

Neither UK stamp duty nor SDRT should arise on transfers of Ordinary Shares on AIM (including instruments transferring Shares and agreements to transfer Ordinary Shares) based on the following assumptions:

- (a) the Shares are admitted to trading on AIM, but are not listed on any market (with the term "listed" being construed in accordance with section 99A of the Finance Act 1986), and this has been certified to Euroclear; and
- (b) AIM continues to be accepted as a "recognised growth market" (as construed in accordance with section 99A of the Finance Act 1986). In the event that either of the above assumptions does not apply, stamp duty or SDRT may apply to transfers of Ordinary Shares in certain circumstances, at the rate of 0.5 per cent. of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5).

17.4 **Inheritance and gift taxes**

Ordinary Shares beneficially owned by an individual Shareholder will be subject to UK inheritance tax on the death of the Shareholder (even if the Shareholder is not domiciled or deemed domiciled in the UK); although the availability of exemptions and reliefs may mean that in some circumstances there is no actual tax liability. A lifetime transfer of assets to another individual or trust may also be subject to UK inheritance tax based on the loss of value to the donor, although again exemptions and reliefs may be relevant. Particular rules apply to gifts where the donor reserves or retains some benefit.

Special rules also apply to close companies, to trustees of settlements who hold shares and pursuant to the Business Property Relief for admitted to trading on trading companies AIM. Shareholders should consult an appropriate professional adviser if they intend to make a gift of any kind or intend to hold any Ordinary Shares through trust arrangements or believe any relief may be available. They should also seek professional advice in a situation where there is a potential for a double charge to UK inheritance tax and an equivalent tax in another country which could bring them within the charge to UK inheritance tax.

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his professional adviser. Neither the Company nor its advisers warrant in any way the tax position outlined above which, in any event, is subject to changes in the relevant legislation and its interpretation and application.

18. **NO SIGNIFICANT CHANGE**

Pursuant to the requirements of the AIM Rules there has been no significant change in the trading or financial position since 31 December 2016 in respect of Saffron and 30 June 2016 in respect of NSI, being the relevant dates of the last financial information.

19. EXPERTS' MATERIAL INTERESTS

CGG Services (UK) Limited has no material interests in the Company.

20. CONSENTS

- 20.1 Each of CGG Services (UK) Limited and Chapman Davis LLP has given and not withdrawn its consent to the inclusion in this document of its reports set out in Parts 4 and 5, respectively, of this document in the form and context in which they are included.
- 20.2 Each of Chapman Davis LLP and CGG Services (UK) Limited has given and not withdrawn its consent to the issue of this document with inclusion herein of references to its opinion and name in the form and context in which they are included.
- 20.3 Grant Thornton has given and not withdrawn its consent to the issue of this document with inclusion herein of references to its name in the form and context in which it is included.
- 20.4 Turner Pope has given and not withdrawn its consent to the issue of this document with inclusion herein of references to its name in the form and context in which it is included.

21. WORKING CAPITAL

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the net proceeds of the Placing and Subscription, the Group has sufficient working capital for its present requirements, that is for at least the period of 12 months from Admission.

22. OTHER GENERAL INFORMATION

- 22.1 There are no specific dates on which entitlement to dividends or interest thereon on Ordinary Shares arises and there are no arrangements in force for the waiver of future dividends.
- 22.2 The gross proceeds of the Placing and Subscription are expected to be approximately £2.50 million. The total costs and expenses (including professional fees, printing and advertising costs and the amounts payable pursuant to the Placing Agreement) payable by the Company in relation to the Placing, the Subscription and the application for Admission are estimated to amount to approximately £0.57 million (inclusive of irrecoverable VAT) and are payable by the Company. The estimated total net amount of the proceeds of the Placing and Subscription is approximately £1.93 million.
- 22.3 The registrar of the Company is Share Registrars Limited and will, in relation to the Ordinary Shares in certificated form, be responsible for keeping the Company's share records.
- 22.4 The accounts of the Company for the period covered by the historical financial information of Northsun Italia S.p.A contained in this document have been audited by EY S.p.A. of Via Po, 32, 00198, Rome, Italy. EY S.p.A. is a member firm of the Institute of Chartered Accountants in Italy.
- 22.5 Except as disclosed in this document, and as far as the Directors are aware, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 22.6 Each of the following persons being consultants and contractors to the Group has received those fees detailed below from the Company within the 12 months prior to the date of this document:

<i>Name</i>	<i>Fees paid by the Company</i>
Spencer John Davey	1,000,000 Ordinary Shares in the Company equal to £50,000 plus cash of €52,126 equal to £44,400
Andrea Guaccero	€15,860 equal to £13,509
Stefano Tonti	€37,769 equal to £32,171
Doriano Vannini	€12,326 equal to £10,499
Filippo Zanni	€29,702 equal to £25,300

- 22.7 Save as disclosed in this document, no person (excluding professional advisers referred to in this document) has received directly or indirectly from the Group within the 12 months preceding the date of this document and no persons have entered into contractual arrangements to receive directly or indirectly from the Group on or after Admission:
- (i) fees totalling £10,000 or more;
 - (ii) securities in the Company with a value of £10,000 or more; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.
- 22.8 Payments in aggregate of £11,776 (€13,825.32) have been made by or on behalf of the Company to the Ministry and other governmental, regulatory authorities or similar bodies with respect to the acquisition of, or maintenance of, its assets.
- 22.9 Save as disclosed in this document, the Company does not hold a proportion of the capital of any undertaking likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.
- 22.10 Save as disclosed in this document, the Company has no principal investments for the period covered by the historic financial information contained in this document and has no principal investments in progress and no principal future investments in relation to which it has made a firm financial commitment.
- 22.11 Save as disclosed in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 22.12 Save as disclosed in this document, there are no patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 22.13 The Company has made statements regarding its competitive position on the basis of its knowledge of the oil and gas industry in the regions in which it operates.
- 22.14 Where information and statements have been sourced from a third party, this information has been accurately reproduced. So far as the Company, the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 22.15 Part 28 of the 2006 Act governs "squeeze-out" and "sell-out" provisions, which are triggered when a person acquires 90 per cent. of both the issued shares and voting rights in the Company. Under these provisions, such an acquiror may serve a notice on the remaining minority shareholder stating that it desires to buy their shares ("**squeeze-out**") and, conversely, the remaining minority shareholder may exercise in writing its right to require the acquiror to acquire its shares ("**sell-out**"). The consideration offered to the minority shareholder whose shares are compulsorily acquired must, in general, be the same as the consideration that was available under the takeover offer. Both squeeze-out and sell-out rights are exercisable within a three-month period from the end of the period within which the takeover offer can be accepted. Under the squeeze-out provisions, the acquiror must, at the end of the six weeks from the date of the notice, send a copy of its notice and an executed transfer for the shares to the Company and pay the consideration for the shares to the Company, whereupon the shares will be registered in the name of the acquiror. The consideration is then held on trust by the Company for the minority shareholder. Under the sell-out provisions, the acquiror is entitled to acquire the shares on the terms of the takeover offer or on such other terms as may be agreed.
- 22.16 No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

22.17 The financial information concerning the Group contained in this document does not constitute statutory accounts within the meaning of section 240 of the Act. No statutory accounts have been prepared for the Group since incorporation of the Company.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Grant Thornton at 30 Finsbury Square, London, EC2P 2YU from the date of this document during normal business of any weekday, Saturdays and public holidays excepted, for one month from the date of this document:

- (a) the memorandum and the articles of association of the Company;
- (b) the reports of Chapman Davis LLP and CGG Services (UK) Limited set out in Parts 4 and 5 of this document;
- (c) the directors' letters of engagement and service contracts referred to in paragraph 9 of this Part 6; and
- (d) the written consents referred to in paragraph 20 of this Part 6.

24. COPIES OF THIS DOCUMENT

Copies of this document will be available, free of charge, at the offices of the offices of Grant Thornton at 30 Finsbury Square, London, EC2P 2YU from the date of this document during normal business of any weekday, Saturdays and public holidays excepted, for one month from the date of this document.

Dated: 21 February 2017

